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WASHINGTON
BANKERS
ASSOCIATION



FEB 20 1924

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ASSOCIATION

UNIVERSITY OF MICHIGAN

FEB 20, 1924.



R. H. MACARTNEY
President

PROCEEDINGS
OF THE
TWENTY-EIGHTH
ANNUAL CONVENTION

OF THE
Washington Bankers
Association

UNIVERSITY OF VICTORIA

FEB 20, 1924

VICTORIA, B. C.
June 1st and 2nd
1923

Compiled by **WM. HATCH DAVIS**
Secretary Washington Bankers Association
1016 Old National Bank Bldg.
Spokane



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Rules of the Protective Committee

The Washington Bankers Association, in deciding to become the aggressive agent of its members for the apprehension and prosecution of criminals operating against members, devolves the executive work upon a Protective Committee of three persons (whose names are not made public), which committee has full power, when called upon for aid by any member, to take such steps as it shall deem proper, to detect, arrest, and prosecute the offenders. The committee is limited in the expense that it may incur to the amount of funds in the treasury appropriated for protective purposes.

The constitution of the Washington Bankers Association prohibits the Protective Committee from compromising or compounding with any parties charged with crime, or with their agents or attorneys. The policy of the Association is to relentlessly pursue every criminal who attacks a member. The following rules govern the actions of the Protective Committee.

A. Should any Bank, member of this Association, that is also a member of the American Bankers Association, be defrauded in its banking rooms, either by forgery, check raising, worthless check, bogus check, swindle or sneak theft, or should a burglary or hold-up of such bank be attempted or perpetrated, NOTICE MUST BE GIVEN BY THE BANK DEFRAUDED, BURGLARIZED OR HELD UP, OR ATTEMPTED TO BE BURGLARIZED OR HELD UP, TO THE AMERICAN BANKERS ASSOCIATION, AT ITS OFFICE, 5 NASSAU STREET, NEW YORK CITY, OR TO WILLIAM J. BURNS INTERNATIONAL DETECTIVE AGENCY, INC., AT ITS NEAREST OFFICE WHICH WILL BE EITHER NO. 1805 L. C. SMITH BUILDING, SEATTLE, OR N. 1204 OLD NATIONAL BANK BUILDING, SPOKANE, WITHIN FIVE (5) DAYS AFTER THE DISCOVERY OF THE CRIME OR OF THE ATTEMPT TO COMMIT A CRIME. This notice should be accompanied by a full account of the offense, and, if possible, a description of the perpetrators. If notice is given by wire or telephone, same to be confirmed at once by letter.

The Protective Committee will be under no obligation to undertake any action in the following cases.

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(a) Where the member is protected by an indorser regardless of whether or not the indorser is financially able to reimburse the bank.

(b) Where the member does not itself sustain a loss.

(c) Where there is a mysterious disappearance (1) of money or securities, etc., from the bank not presumptively attributable to sneak theft, or (2) of the contents of safe deposit boxes.

(d) Where a member has been defrauded by permitting withdrawals against items before returns from same have been received.

(e) Where the fraud or crime has been committed by an officer or employee of the member, either alone or in collusion with others inside or outside.

(f) Where it is evident that the bank is guilty of contributory negligence.

The Secretary of this Association will appreciate it if a copy of the notice and description of the offense is also sent him.

B. In reporting cases of crime the Protective Committee understands that the members so reporting will have a warrant issued for the criminal. The State, County or local authorities must arrange for the extradition and payment of the expense incident to the return of the prisoner. The Committee will not pay extradition expense or witness fees.

C. The Protective Committee of the American Bankers Association will not undertake action unless IMMEDIATE NOTICE of the crime has been given as per Rule A, and the Association cannot be held responsible for any expense incurred for protective work that has not been previously authorized by the Protective Committee.

D. The Association cannot take cognizance of frauds against a member committed by its employees. The officers of the bank must look to the sureties of its employees in such cases.

E. Where the bank defrauded, member of this Association, is not a member of the American Bankers Association, notice of the offense, with full particulars as per Rule A, must be sent to the Secretary of this Association within five days from the perpetration of the crime, and the Protective Committee will at once undertake the apprehension of the criminals, subject however to the foregoing regulations.

F. A case once committed to the Association which results in the apprehension of the criminal cannot be taken out of its hands, or the offense condoned or compromised. The Protective Committee is not a collection agency—and will not act as such.

Washington Bankers Association

OFFICERS 1923-1924

R. H. MACARTNEY, President
Cashier Security National Bank, Cheney
J. K. McCORNACK, Vice-President
President Security National Bank, Palouse.
H. J. MAURY, Treasurer
President State Bank of Winlock, Winlock.
WILLIAM HATCH DAVIS, Secretary and General Counsel
1016 Old National Bank Bldg., Spokane.

EXECUTIVE COUNCIL

Three Year Term

R. R. MATTISON, Tacoma
Vice-President National Bank of Tacoma.
J. W. SPANGLER, Seattle
President Seattle National Bank

Two Year Term

H. W. MacPHAIL, Raymond
President Willapa Harbor State Bank
GUY C. BROWNE, Wenatchee
President Columbia Valley Bank

One Year Term

C. E. BINGHAM, Sedro-Woolley
President C. E. Bingham & Co., State Bank
C. W. HEATH, Yakima
Vice-President Yakima Valley Bank

MEMBERS EXECUTIVE COUNCIL AMERICAN BANKERS ASSOCIATION

D. H. MOSS, Seattle
Vice-President First National Bank
H. C. LUCAS, Yakima
President Yakima Trust Company

The William J. Burns International Detective Agency Inc., represents our Association.

Ex-Presidents

*HORACE L. CUTTER (1889)	-	-	-	-	-	-	Spokane
SAMUEL COLLYER (1890)	-	-	-	-	-	-	Tacoma
*LEVI ANKENY (1891)	-	-	-	-	-	-	Walla Walla
*JACOB FURTH (1892)	-	-	-	-	-	-	Seattle
*JACOB FURTH (1900)	-	-	-	-	-	-	Seattle
E. J. DYER (1901)	-	-	-	-	-	-	Spokane
*MILES C. MOORE (1902)	-	-	-	-	-	-	Walla Walla
C. J. LORD (1903)	-	-	-	-	-	-	Olympia
N. H. LATIMER (1904)	-	-	-	-	-	-	Seattle
EDWIN T. COMAN (1905)	-	-	-	-	-	-	Colfax
M. F. BACKUS (1906)	-	-	-	-	-	-	Seattle
W. D. VINCENT (1907)	-	-	-	-	-	-	Spokane
W. L. ADAMS (1908)	-	-	-	-	-	-	Hoquiam
A. F. ALBERTSON (1909)	-	-	-	-	-	-	Tacoma
E. W. PURDY (1910)	-	-	-	-	-	-	Bellingham
CHAS. A. McLEAN (1911)	-	-	-	-	-	-	Spokane
W. J. PATTERSON (1912)	-	-	-	-	-	-	Aberdeen
W. H. MARTIN (1913)	-	-	-	-	-	-	Ritzville
ROBT. MOODY (1914)	-	-	-	-	-	-	Everett
H. C. LUCAS (1915)	-	-	-	-	-	-	North Yakima
RALPH S. STACY (1916)	-	-	-	-	-	-	Tacoma
J. A. SWALWELL (1917)	-	-	-	-	-	-	Seattle
O. M. GREEN (1918)	-	-	-	-	-	-	Spokane
N. B. COFFMAN (1919)	-	-	-	-	-	-	Chehalis
D. H. MOSS (1920)	-	-	-	-	-	-	Seattle
G. W. PEDDYCORD (1921)	-	-	-	-	-	-	Colville
S. M. JACKSON (1922)	-	-	-	-	-	-	Tacoma

*Deceased

Disclaimer

At the Eleventh Annual Convention of the Washington Bankers Association, held at Tacoma, June 21-23, 1906, the following resolution was unanimously adopted:

Resolved, that the Secretary be instructed to insert this resolution as a preface in the annual printed proceedings, disclaiming the responsibility of the Association for the opinions expressed in any of the addresses or papers printed, unless such opinions have been endorsed by special action of the Executive Council and Convention.

PROCEEDINGS

of the

Twenty-eighth Annual Convention

of the

Washington Bankers Association

Victoria, B. C., June 1 and 2, 1923

FIRST DAY

MORNING SESSION

The Twenty-eighth Annual Convention of the Washington Bankers Association was called to order in the ball room of the Empress Hotel at Victoria, B. C., at 10 o'clock A. M., June 1st, 1923, by President S. M. Jackson.

The President introduced the Rt. Rev. Bishop Schofield, the bishop of British Columbia, who delivered the invocation.

The President then introduced His Honor, Walter C. Nichol, Lieutenant Governor of British Columbia, who said:

Mr. Chairman, Ladies and Gentlemen:

It gives me peculiar pleasure to be able to come here this morning and bid you a formal welcome to British Columbia, and to Victoria. I say a peculiar pleasure, because it adds to ones sense of fitness of things to find oneself in the company of so many men who

have control of what we in the vernacular call "loose change." It is a very pleasant thing in British Columbia at the present time, when we need so much money to develop our country to find that financial people are taking an interest in it.

It is quite true that many of you, in fact, most of you present this morning come from a large arid area—a land of drought, and no doubt you find the Coast climate congenial on account of the moisture, and not at all hard to put up with. But at the same time, when you get acquainted with our country you learn to understand and to know our needs and to learn to realize that the skies above you and the waters underneath, and the picturesque and beautiful landscape which surround you as you step out of doors on every hand, are virtually the same sort of thing you have on your side of the boundary line, just a few feet away. There is no reason, for all Anglo-Saxons are thinking much the same way, because we all speak and think the same way—we are all Anglo-Saxons, and it would be a terrible thing to think that because an imaginary line stretches between us, that some day we might be called upon to fight each other and shed each other's blood. It is a terrible and ghostly thing when these things happen; and I like to see these international meetings occur, so that we learn to know each other better and can use kindly influences at times to avert troubles that are set on foot by agitators.

I had expected that you gentlemen would take up for consideration at your meetings here some of the large questions that are agitating the world at the present time, that are being considered, such as the passing of the capitalistic age, which I understand is under way somewhere in Europe, and the levying of a direct levy on capital, because the capital levist makes no distinction. They propose to levy on everything you have, and it is a very interesting topic, and I judge both these questions, that is to say, the doing away with capitalism, which has been advanced, and a large levy on capital, are quite likely to become acute in this topsy turvy world.

It gives me great pleasure to see you here, and to have you here, and I trust when you go away you will go away with a proper sense of the hospitality of the people, and if it is not duly exercised when you leave so that you all say you have had the finest time of your lives, I shall be glad if the matter is brought to my attention, and I shall see that it is taken cognizance of without delay. (Applause.)

At the close of the address of welcome, the President introduced N. B. Coffman, President of the Coffman-Dobson Bank and Trust Company of Chehalis, who replied as follows:

Mr. N. B. Coffman**President Coffman-Dobson Bank & Trust Company, Chehalis.**

Mr. Chairman, Lieutenant-Governor, Ladies and Gentlemen:

I am sure up to the present time we folks from over the line are having the time of our lives up here, and that that situation will continue unabated until we leave you. It is not, I am sure, from any reputation that I may have gained as a fitting person to reply by way of response on an occasion like this that I have been put on the program, but rather because of my long term of association with the banking business in the State of Washington.

It was forty years ago, your Honor, on a delightful May morning, in 1883, that I first came into your beautiful harbor as an unsophisticated young man coming out into this great Pacific Coast Country to break into the banking business, but with very little experience indeed. The uniqueness of this city, its beautiful setting, its rocks and dales, its winding roads all impressed me and caused me then, as always since, to think of it as we now speak of the Hawaiian Islands, as the "Paradise of the Pacific." I have never lost that impression of Victoria as being that—"The Paradise of the Pacific."

I arrived here from my first ocean trip, and not altogether free from those new experiences which usually accompany a first ocean trip. I discovered on this beautiful green island, this city even then an old town, at that time the metropolis of the Pacific Northwest; because in 1883, Tacoma was but a pretentious village, and Seattle had hardly become recognized as what we might call a city. Here was this old, unique, beautifully adorned and staid community. I had a letter of introduction, I remember quite well, to the manager of one of your banks. I am not sure which one now; and in presenting it, I think I dare say so now, I had the impression of entering a mausoleum. You recall those old buildings how they were built of solid stone work, small windows high up. To get to the manager was a case of being passed up at waiting intervals. I was a good part of the forenoon getting to the manager's closed sanctum. Quite a contrast now with your modern banking institutions, inviting easy entrance.

Nature has done so much for British Columbia, Vancouver Island and the Northwest that I think sometimes that our climate, and scenery are after all the finest things that we have, and those that will bring people here and make this a densely populated country.

Outside of the common endowment of our beautiful Northwest, Sir, is the fact that you on this side, and we across the line on the other side, are after all but children of a common mother. We meet here this morning and speak a common language. In this Pacific Northwest, because of the Panama Canal that puts us midway of Pacific trade, we are placed nearer to the great centers of population than is the mid-central part of our common continent. When we think of it from that standpoint, we know that here on this Pacific Coast is to be built up the focal point of a tremendous civilization, with density of populations; that here on this great Pacific, recognized in its strategic importance by our government in the recent World Conference called at Washington, is to be the scene of the greatest commercial activity in the world. We, the two Anglo-Saxon peoples are to have the charge and responsibility of the great things that are coming our way. We ought, in the civilization which we are constructing, to have this feeling of our responsibility. That old saying that has been recognized for so long as to become almost a truism, that "trade follows the flag," can hardly be recognized as the highest interpretation of present day civilization, because to say "trade follows the flag" means that political power shall precede and make ready for the commercial opening. We should not be looking at it in that way now. I think we the people of your country and our country have a higher notion of trade expansion than that; that our relations are to be reciprocal; that we are to build them up in that way, and not with the idea that we are entering each other's country to tear down, or to replace, or to conquer. We should also look across the great Pacific to the trade marts over there not with eyes of envy or greed, but we should see them as the constructive units in building up the world's greatest commonwealth of commerce.

I think we have over-emphasized governments sometimes, and forgotten that they are the instruments only for the advancement of human welfare. For after all it is the finer elements that we should seek to cultivate in the social and business life, if we hope for the highest ultimate benefits to mankind. Our governments are only the instruments by which they are to be worked out. We should strive to eradicate the barriers that are built between us, so that our flags may always and everywhere, as here today, not only wave side by side, but also be ever more closely intertwined and bound together.

You are accustomed on this side to the word "limited." I think that carries with it a sort of restraint upon action, desire and temptation. We who come from the other side do not have the

word "limited" we use the other phrase, "going the limit," and I am afraid, sometimes when the bars are down, misuse it. I hope that this great freedom which we are coming into here will not be abused unduly, and that the record of our unscheduled acts, whatever it may be, shall be graciously wiped out with our going.

May I express the conviction that the delightfulness which we have enjoyed so far, will be continued through all our stay, and with our leaving we shall have a common regret at parting. We hope you will reciprocate by coming over and seeing us sometimes, and that these passings back and forth shall be multiplied to our common better understanding, friendship, and good will, and everything that contributes to making us worthy as representatives of the great Anglo-Saxon race: worthy as types, individually and in our nationalities, of its noble achievements.

At the close of Mr. Coffman's remarks, Mr. D. H. Moss arose, and being recognized by the chair, in behalf of the association passed to the President an Ivory gavel. Mr. Moss's remarks in connection with the presentation of the gavel were as follows:

D. H. Moss**Vice-President, First National Bank, Seattle.**

It is a time honored custom at this stage of the proceedings of our Annual Convention for someone who is experienced to preside over this body and present the Chairman with a Gavel during the convention, to keep as a good will gift from all the members of the Association, which includes every banking institution within the boundaries of our state.

We are all agreed that the occasion has never presented a more worthy subject to talk to and of than we have today, and because of the friendship and admiration I have for Samuel M. Jackson, I am pleased at the honor conferred on me. For over thirty years Mr. Jackson has been managing a bank in Tacoma, that is recognized at home and abroad as of the highest character. You have given very liberally of your time and energy to the welfare of your state, making it a better place in which to live. During all this time you have been active in the affairs of the Washington Bankers Association; and as one of the first two members of the executive council of the American Bankers Association, you not only acquitted yourself with great credit, but you have reflected honor upon all the bankers of the state as well. During the past year you have served our Association as its president, and have served it ably and well; and now on behalf of the members of the Association I present to you this gavel, and with it express the hope that it may often in the future bring to your mind the affectionate regard and high esteem with which you are held by all of us. (Applause).

In reply MR. JACKSON said: Mr. Moss, Ladies and Gentlemen: I feel I am not deserving of the kind words that you have expressed. But I take occasion to thank the Association for giving me such a gavel as this. This is really a work of art, and it is my desire to use it with moderation and equity.

The President then called upon the Hon. John Oliver, Prime Minister of British Columbia, to address the meeting. Mr. Oliver said:

Mr. President, Ladies and Gentlemen:

I can assure you this morning that it is the most pleasant moment of the day which I will look forward to in having this opportunity of extending to you greetings from the people of British Columbia. To my mind, Governments are simply the representatives of the people, and as Premier it is my pleasant task to extend to you greetings from all of our people.

We have here in British Columbia a land of immense area, a great deal of natural beauty, and also a land teeming with opportunities for the investment of capital to make the natural resources available for the use of man. One of the gentlemen speaking from this platform a few moments ago referred to the fact that it was forty years since he came to the city of Victoria. Well I have had the privilege of going a little better than forty-six years since I first came to the City of Victoria; and having been born in England, it struck me as being a little piece of England transplanted on the shore of the Pacific Ocean.

Another thing that came to my mind whilst sitting in this room, and probably that gentleman that came here forty years ago will possibly remember, that the location of this building in which we are now gathered, at that time was the sink hole of the city, and represented a natural part of the bay in which the drainage of the city congregated. It has only been in the last twenty years since this causeway replaced the wooden bridge that extended across the harbor, and that this area which this building occupies and the ground surrounding it, was filled in and made the attractive place it is today for such gatherings of this kind. It may also be of interest to tell you that the building in which we are now gathered today stands on wooden piles, the product of the forests of British Columbia. Something that is very interesting. Why I mentioned this in order to bring out in a very concrete way the impossibility of maintaining and extending our present civilization without the use of capital, or stored up labor, the result of stored up labor for generations past. To abolish capital today, as some of what I would describe as air-brained talkers, would seek to do, would be, in the last analysis, at least to my way of thinking, a reversion to chaos, to a condition worse than that which man has sprung from during the centuries of progress which have been made in the history of the world. I can assure you that whilst we have a few of these air-brained men in British Columbia, who in loud voice proclaim for the abolition of capital and practically the taking over and nationalization of every sort of wealth, I can assure you that this class of people are in a hopeless minority in the Province of British Columbia. The sane thinking men and women of the province know that such a thing as confiscation of capital, or the nationalization of wealth at least at the present time is an utter impossibility.

Now I want to say to you that during your stay that the parliament buildings are wide open to everyone of you who choose to visit those buildings. We have over there we think a splendid collection of the wild life of the country. There is a splendid fish

exhibit, and those who are interested in the work of mankind, there is a splendid collection of Indian curios, tools and canoes and basket work, weaving, carpets, and everything of that kind that was used by the primitive Indians before the advent of the white man on the Pacific. Then we have a splendid library. We also have a fine collection of old Hudson's Bay records, some of them in the handwriting of Captain George Vancouver; some of them in the handwriting of the Hudson's Bay officials, and one of the most interesting documents I have had the pleasure of perusing was one giving the trading prices of the goods which the Hudson's Bay Company were trading with the Indians; and seeing that not only in Canada, but also in the United States that the liquor question has occupied the attention of such a vast majority of the people for so many years, one of the interesting facts related is the trading price of a keg of rum. Today such has been the demand for the furs of the wild animal, that beaver skins have gone up to an enormous price; in fact, if a lady wants to have a nice beaver skin to put around her shoulders, she will have to pay sixty dollars or more for that purpose. In the old days of the Hudson's Bay, I think two hundred beaver skins was the price of a small keg of rum. So you can see, even in those days, the liquor question was a very interesting question, particularly for the natives when it cost them such a tremendous price to carry on a jag.

I want to say to the bankers of the Pacific coast gathered here that since I have been a member of the Provincial Government, we have had to go into the money markets and borrow large sums of money, and one of the most pleasant experiences which we have had in that not altogether pleasant experience of borrowing money, is the fact that we found the bankers of the State of Washington coming in and bidding with the bankers of New York and Montreal and Toronto for the purchase of our provincial bonds. Probably some of you gentlemen present in this room had something to do with that. I appreciate the fact that we have made a start on the Pacific Coast where we can begin to supply the money for development without having to go into the markets of the east. Not that the East is not as much a part of our country as the West, but there has been a feeling and a pretty strong feeling that the policy of the banks of the West has been to take the people's savings and transmit them for investment in the East, and that development in the West has been retarded by that policy of the bankers and the large monied interests. Whether that feeling is justified or not, I am not going to pass any opinion upon. There is, however, a certainty, an absolute certainty, that the rates of interest charged for money in the west have been higher than they have in the East.

So it was with a great deal of pleasure that I saw an aggregation of bankers of the State of Washington, possibly combined with Oregon and Idaho, I am not in a position to say that, but at all events, there was competition coming from the Pacific Coast for our Pacific Coast bonds, and that was a source of pleasure to the Provincial Government to find that that was the case. Now we have in British Columbia an immense territory, full of natural resources. The Almighty in his wisdom hid a great many of these natural resources. Some of our greatest resources are buried in the ground, and some of them do not give indications of their presence on the surface of the ground; but the fact is that we have men of energy, adventurers, if you will, who go out into the woods and hills and look for traces of this natural wealth, and every little while we stumble, and I say "stumble" advisedly, because there is a lack of knowledge as to the formation of the rocks and presence of minerals, and it is largely a matter of stumbling; but every little while we stumble upon a veritable storehouse of mineral wealth. At the present time the minds of the people of British Columbia are being agitated as to the possibility of establishing an iron and steel producing plant in British Columbia. From all the reports we get, engineers tell us that we have all the necessary raw material. What troubles me most is that private enterprise does not take hold in a manner that we think it should; with the result, there is a continual drive upon the Government to put all the resources of the Province behind what we may say is to some extent at least so far as the West is concerned, a speculative industrial enterprise. It would be a great relief to our Government if we had private capitalists who would come in and take hold of this question, and thus relieve us (the Government) of this pressure that is continually being brought to bear to induce the Government to take part in industrial enterprises. We believe it is a matter that the Government should go very carefully and slowly about. I may say to you that my experience in Government has placed a conviction very firmly in my mind that it is not possible, and that the Almighty never made a man who was possessed of such tremendous knowledge that he could direct all the forces of a province the size of British Columbia in a wiser manner than individuals could who made a specialty of one subject. My experience goes to show me that the Government can never successfully take the place of private energy and of private enterprise, especially in industrial pursuits.

I do not think that that ever was a proper function of government. However, we have these opportunities, and we would like to see these opportunities developed. Sometimes I think that we in this generation want to utilize everything there is which lies on the

face of the earth, and leave nothing for the future. I do not believe that was the scheme of the Almighty. I believe that the Almighty has placed conditions so that there must be a succession from one generation to another, and that it is not wise to exploit all the natural resources, to turn them into money. For after all, what is money? To a large extent it represents stored up labor.

I find myself running away to some considerable extent. It puts me in mind of a story told in regard to myself the first Session I was in the Legislature. A man said, "Why that man Oliver, it's very easy to get him started talking, but it's a devil of a job to stop him." So I do not propose to take any risks. I hope you will have a pleasant time. I hope your conference here will be profitable, not only to yourselves, but to the country which you serve in your own sphere of action, and in my opinion you as bankers are carrying on a work that is absolutely necessary for our present day civilization, and speaking from experience, as the head of the government, I don't know what we would have done, if we hadn't had good sound banking institutions in this city to enable us to carry on and keep the machinery of government moving. I know of nothing more necessary today than good conservative banking institutions, and I do not agree with those people who say that the bankers retard progress. I say if the bankers make a mistake at all, it is sometimes that they make money too easy for investment in doubtful enterprises. Again wishing you every success, I thank you.

At the close of the address of the Prime Minister, Mr. Grange V. Holt, Manager of the Canadian Bank of Commerce of Vancouver, B. C., was called upon. Mr. Holt said:

Mr. Chairman, Ladies and Gentlemen:

It is a great pleasure indeed for me to meet you all again and convey to you the greetings of my fellow bankers in this province. As Mr. Jackson has just mentioned, I have been a member of your Association for about thirteen years. I was a member before I ever came to Seattle. There are many people here whom I think I met at the first banking convention I attended, in Spokane. We had a royal time in Spokane, I recollect. There are many factors which contributed to the success of the convention at that time, which do not exist at the present time. I should imagine that this is probably the first occasion on which the Bankers Association ever held its annual meeting on this side of the line, and it is an example that I think we should all like to see followed. Certain

delegates from the American Bankers Association went back to Toronto about six months ago for a conference, and according to a letter I received from Mr. Vincent, a member of your Association in Spokane, was present, and I understand they had a royal time, and accomplished a great deal in the way of cementing the feeling of good will between the two countries. Most of the Canadian bankers are members of the American Bankers Association, and attend the meetings, but it seldom falls to our lot out here to do so, partly because the conventions are not often held on this coast. Now it seems to me, now that you gentlemen from Washington have broken the ice, that it will be up to the bankers of British Columbia to return this visit at some future time, if you will extend the invitation to us, and I will endeavor to personally conduct a body of my colleagues over there. It will not be as easy to get my colleagues over there, perhaps, as it is to get our Washington friends over here.

There is in Canada a Canadian Bankers Association, which corresponds in most particulars to your American Bankers Association, but with more powers. All the banks in Canada are members of the Association, and the meetings are all strictly of an executive character, and are mostly attended by the chief officials of the banks. Secondly, we have no opportunity out here to form local associations such as yours, and hold conventions of this character. This is, in a measure, unfortunate for us; because undoubtedly these conventions do a great deal of good. They not only enable you to get into very close touch with your banking friends throughout the country, but they also enable you to get first hand impressions of the resources of the country which you serve, and that to my mind is of the utmost importance. I can honestly say that I learned more from attending your conventions, which I did for a matter of thirteen years—I learned more of the resources of the State of Washington, than I could have learned in any other way, probably, in twice that length of time. Since I came over here, I have endeavored to follow the same practice.

British Columbia is very similar to the State of Washington in its resources. You have no line north and south, and you will practically never know when you have crossed the boundary line. I think we have the same extensive minerals that you have, and we have other industries, which have been referred to by other speakers, which you do not have. We are gradually progressing in the matter of motor roads, and in the course of a year or two, it will be easy for you to motor all over the country. Even now you can come up through Oroville, and you can get around as far as Banff.

I have noticed with much pleasure since I came here the growing relation, both business and social, between the bankers of British Columbia and the bankers of the State of Washington. Our interests clash perhaps in a few cases, but as a general rule, we can all work together for the good of our respective states, and help the material progress, in that way, of the West.

The Dominion Government announced recently a policy of reciprocal trade as far as natural products are concerned, with the United States. I am only expressing my own opinion when I say that I would like to see that adopted. Free trade in natural products where the countries are similarly situated is the logical thing, and can only, in the long run, tend to the benefit of both countries. We shall probably have to adopt such a policy in the not far distant future.

Incidentally, I may say there has been a wonderful change in the banking situation on your side of the line since I went there in 1901 or 1902. At that time I think your leading bank probably had a capital of \$200,000. Now their capital runs up into millions; and with the assistance of the Federal Reserve Bank, which has been put into force since I left you, you are capable of doing almost any financing that your state requires, and even assist us in taking our bonds and securities when we have any to offer.

I only set myself down for a brief speech when Mr. Jackson told me he wanted me to speak. I told him I had already given three, and I was afraid I could not obey today. If you enjoy yourselves here, and I have every reason to believe that you will, then I trust that in the course of three or four years that you will return to this province, and in such case I am satisfied I am voicing the wishes of all my colleagues in Vancouver, in extending to you a hearty welcome to hold your convention in the City of Vancouver, when I can assure you that you will have as good a time as you will have here, provided the law does not change in the meantime. (Applause).

At the close of Mr. Holt's remarks the convention listened to the reading of the annual message of the President. Mr. Jackson said:

When you honored me last year in Spokane by electing me President of the Washington Bankers Association, I little dreamed that our next convention would be held in this beautiful city, and I am sure that I voice the sentiment of all our members present when I say to our Victorian friends that we are delighted to be here, and on behalf of the Association I take this opportunity of expressing

our sincere appreciation for the words of welcome addressed to us by your Lieut. Governor and Premier.

I wish to say to the bankers of Victoria and Vancouver that we are delighted to have you with us and feel that we should become better acquainted, as our problems are practically the same as yours and from gatherings of this kind much mutual advantage can be obtained. I also wish to invite the bankers to participate in our discussions.

MEMBERSHIP.

During the past year we have suffered through failure a loss in our membership of five state banks, all of small capital. One new national bank and four new state banks have affiliated with the Association, and their combined capitalization considerably exceeds the total capitalization of the banks liquidated during the fiscal year. Three new banks, one state and two national, with a combined capital of \$360,000 have been chartered during the year, but have not yet commenced business and have not affiliated with the Association. Our total membership remains practically the same, but the banking capital of our member banks has increased over half a million dollars during the year.

* * * *

I desire to express my appreciation to the officers and members of the Executive Council and to other committees for their efforts and valuable time given to the Association the past year. The report of the Treasurer and Secretary and of the Executive Committee and other committees will inform you of the progress of the Association. The Executive Council under the chairmanship of Mr. McCornack met several times and there was a good attendance. Great credit must be given to the Legislative Committee for the splendid work they accomplished at Olympia in connection with legislation, and I would point out that legislative work is one of the important functions of the Association and it will probably be essential to banking interests that they be represented at Olympia at all future sessions.

OUR SECRETARY.

At the last convention Mr. William Hatch Davis was elected Secretary of the Association. It was understood at that time that he was to give about one-half of his time to the Association's work. He tells me that he has given three-fourths of his time and has attended several group meetings, which to my mind is very essential to the interests of the Association. I appreciate the work that Mr.

Davis has done and I recommend that his salary be fixed at a figure commensurate with the duties he is called upon to perform. I further recommend that the Association make an appropriation for office expenses sufficient to bear its fair proportion and the cost of an additional room needed for its work.

The value of a bankers' association depends upon its members. The president and other officers serve in the volunteer class; the secretary is the paid executive. You never find a successful association without a live secretary. It has been a pleasure to work with Mr. Davis, and I believe that he will prove to be a most valuable man to our Association.

The constitution and by-laws of the Association were prepared and adopted twenty-three years ago and in many respects they are obsolete and unworkable. Provisions of the constitution should be so amended that the Federal Joint Stock Land Banks and the Federal Credit Banks might be permitted to become associate members of the Association. The right to vote being restricted to delegates, the by-laws should explicitly provide the number from each bank to exercise that privilege and the character of credentials to be furnished. I would recommend that the president and secretary be directed to prepare a draft of a revised constitution and by-laws, and after approval by the executive council that it be submitted at the next convention of the Association.

I have had the pleasure of perusing the report for 1922 made by John P. Duke, State Supervisor of Banking, and note with appreciation the care and attention he has given the 271 banks and 6 trust companies under his jurisdiction. For two years the situation has been a delicate one, but Mr. Duke has handled it with tact and skill. Under his administration a marked improvement has developed; the state laws as amended have been put into operation, making his department practically self-supporting, and he has had the courage to require the use of the pruning knife unsparingly in the interests of better banking.

A synopsis of the reports of condition of those institutions operating under State laws at close of the year 1922 shows:

Capital invested	\$ 20,000,000.00
Total resources	160,115,063.36
Deposits	132,447,643.24
Loans and Discounts	88,397,479.35
Bonds and Warrants	32,491,290.69
Cash on hand and with banks.....	25,294,779.77

The report of Mr. Duke would indicate that the net earnings of the banks under his supervision have been less than accrue in almost any other investment in the State, largely due to inadequate

balances and the number of checks drawn against each account, 60 per cent of which are carried at a loss. It may be doubted that such a condition could prevail in any other business.

To minimize this loss, banks in the larger cities of the State are now making a small service charge. I believe in rendering the best possible service, but I also believe the customer should be willing to pay for service, and I believe would gladly do so if he fully understood the situation.

SALMON.

The Salmon pack for 1922 was quite satisfactory in the United States, the demand being such as to practically absorb the entire product, including the stock carried over from previous years and 2,000,000 cases packed in British Columbia and Siberia.

The packers during 1922 regained to some extent the heavy losses which were sustained after the large stocks of salmon purchased by the Government were thrown on the market, demoralizing prices. The demand for salmon during the war period was such that a large number of new canneries were built and the districts were fished to such an extent as to endanger the future supply. The Department of Commerce has set up reserves and restrictions in certain districts, including the Bristol Bay, Cook Inlet, and Kodiak Sections of Alaska, where a large supply of Red Fish is caught, and those having large investments in the industry are feeling considerable satisfaction over this fact. The restrictions will limit the building of new canneries and also the number of cases to be packed by those already in operation. This action upon the part of the Department was well considered and timely and will tend to improve the situation existing in the Puget Sound country where the industry is practically destroyed. Had such precautions been taken a few years ago on the Columbia River, the situation there might have been different. However, by careful regulation and propagation, the industry is coming back in that section.

It is anticipated that a reserve will be set up in South-eastern Alaska, where the cheaper grades of fish abound, and in anticipation of this reserve practically all of the canneries will operate this season in order that they may secure favorable consideration from the Department.

It is expected that 1923 will see a normal pack and on account of the depleted stock on hand the product should produce a fair profit.

LUMBER INDUSTRY.

The lumber industry is in a very satisfactory position. A strong demand absorbs the entire production. Full-time employment at good wages is open to all who seek it; in fact, there are not enough workers to go around. There is a good margin of profit at present, but the average price of lumber at the mill is 30% lower than in 1920. The wisest lumbermen are trying with some success to keep the prices from advancing further. Yet if the demand is too insistent this cannot be done, and it is perhaps to be hoped that there may be a slight cessation of demand very soon. This would provide the best safeguard against a further rise of prices.

Whatever may be the minor swings of the lumber market in the future, we of the Pacific Northwest can safely look forward to more continuous prosperity in the next ten years than we have had during the last ten years. A few figures will show graphically the changing conditions in the production of lumber.

For many years the lumber consumption of the United States has averaged around 40 billion feet each year. In the year 1909 the 15 Southern states supplied more than 16 billions, and the States of Washington and Oregon supplied less than 6 billions. In 1922 the South supplied less than 13 billions and Washington and Oregon supplied nearly 9 billions. The best authorities say that within a few years the Southern production will decline to 8 or 9 billions each year, at which rate it may continue indefinitely. But the expected drop in Southern production must be made up somewhere, and there is only one place where it can be: That place is the Pacific Coast of America. As an illustration of what is happening to us even now, we have the enormous increase in ocean shipment of Pacific Coast lumber to the Atlantic Coast. For many years after the opening of the Panama Canal there was no marked increase in water shipments from coast to coast. In 1920 we sent only 50 million feet of lumber through the Canal to our East Coast. In 1922 we sent nearly 700 millions, and this year we may send one billion feet.

In British Columbia as in the extreme Western United States, lumbering is a great basic industry, for which our land and our climate are specially adapted. A few of our leaders in the industry are striving to arouse public opinion to the necessity of insuring new forest growth to take the place of that which we are now harvesting. The lumber industry has been the most important factor in the progress which we have already made. Our own local interest demands that we take the necessary steps to enjoy this great industry for all time to come.

AGRICULTURE.

Agriculture plays a very important part in the life of our nation, and our own State of Washington is no exception to this rule, and no discussion of the economic problems of our State and Country is complete without taking into consideration the farmer, his needs, his present condition and his prospects. The constantly rising costs of all commodities, except of those produced on the farm, have made the way for the farmer more difficult. Everything he has to buy is higher priced, largely as a result of high labor cost, although his own products sell at a price that yields him but a very small daily wage, and perhaps no return whatever on his investment. In attempting to cure the unsatisfactory condition of the producer, efforts have been largely along the line of furnishing him with more and easier credit. It is entirely within reason that these plans result in increasing the farmers' debt, and have done more harm than good, for it is not the burden of more debt that will assist him, but only a better demand for his output, and steadier and more reliable marketing conditions.

SAVINGS AND LOAN ASSOCIATIONS.

The savings and loan associations serve a useful and legitimate purpose within their proper sphere, and no member of this Association would wish otherwise than they should continue to develop and prosper. During recent years, however, an increasing tendency has developed among some of those associations to assume the right to operate along lines wholly foreign to the powers conferred upon them by law, and the principles upon which they are founded.

Enabled to pay a higher rate of return to their clients because of legislative favoritism, permitting very liberal tax exemptions, subject to none of the restrictions which are properly placed upon banks as to reserves and capital protection, these associations are today accepting so-called "Savings Deposits" in a manner which constitutes a usurpation of power never intended to be conveyed by their charters and are exercising functions which neither justice nor sound public policy can condone.

In at least one of the larger cities of the State a savings and loan association is operating a school savings plan which was designed for use by banks and to all intents and purposes along the same lines as though actually conducted by a bank, and one day each week is set aside in the schools for "bank day" upon which, under the impression that they are depositing in savings accounts, the children are making payments upon stock subscriptions to the building and loan association.

This is a matter which will continue to force itself upon the attention of our members, and it is highly important that the full extent of the problem which it presents be understood. It is not my purpose to do more than to point out the seriousness of the situation, but it is evident that if the constituted authorities are not now in a position to prevent such unwarranted assumption of privileges, something will have to be done to avert a development which might otherwise prove to be unfortunate for the savings and loan associations, the banks and the public generally.

BRANCH BANKING.

Branch Banking has attracted much attention during the past year and has been the subject of considerable discussion. It has many proponents as well as opponents. Personally I am not in favor of the extension of either interstate or intercity branch banking, but I am in favor of banks in cities having a prescribed population being allowed to establish agencies within the corporate limits of the city in which the parent office is located. Banks are advertising service, and yet a patron residing or doing business in the suburbs in many instances is compelled to travel an inconvenient distance to make a deposit or buy a draft. I believe strongly that the future of branch banking, restricted to the corporate limits of a single city will be determined not so much by what the banks themselves want as by what is demanded by the requirements of their clients.

GOLD SUPPLY.

We have over one-half of the gold of the world in the United States, and economists tell us that the effect of one country obtaining the majority of the world's gold supply causes a disproportion to arise in that country, and makes it a good place in which to sell and a poor place in which to buy. Thus imports would be encouraged and exports discouraged. Viewing our present commodity prices and the failure of our tariff to check imports, this long believed theory seems to be in the process of verification. Our dollar is depreciating, not in value, but in terms of what it will buy. Compared with a few years ago, it is worth for the purchase of goods sixty cents.

There is an interesting side light on the situation in connection with the volume of our currency in circulation abroad. It is stated that the Cuban Treasury Department estimates that more than one hundred million dollars U. S. paper money is held in circulation on that island. Those returning from abroad report a large amount there, and there is also a considerable quantity of our paper money

in Canada. It is further stated that on the Continent American currency is preferred for local exchange, and in many cases is being hoarded. It will be interesting to watch this phase of the situation and ascertain how much of our currency is abroad at the present time.

There is not much likelihood, in my opinion, of gold leaving us until Sterling Exchange reaches par, and the excess gold we now hold would do more good abroad, stabilizing foreign currencies than it can help us locked up in vaults.

CROPS.

From Wenatchee and Yakima and the Great Inland Empire we get excellent reports on the growing crops. In the Western part of the state prospects at this season of the year were never better.

The wheat crop of Western Washington will be large unless we have unfavorable weather conditions during the month of June.

There is no denying the fact that we are in the midst of a business boom, the duration of which no one can predict. In our own State the principal industries are in splendid condition and the prospects for crops of all kinds were never better at this season of the year. While I cannot see anything but prosperity ahead, there are aspects of the situation which should receive the serious consideration of all bankers and business men. In undertaking to point out the prudent policy to be followed under existing conditions, Mr. Benjamin M. Anderson, Jr., Economist of the Chase National Bank, New York City, has expressed so clearly what, in my opinion, should be the course to be recommended by the bankers of the State, that I feel that I can do no better in closing than to quote from a recent article in which he has said:

"The policy of the sound and prudent business man will be to go ahead and do business and take advantage of existing markets.

The business man will be well advised, however, to operate with an unusually large margin of working capital and to be unusually cautious both in the giving and in the taking of credits.

He will operate on the principle of quick turnover, even though quick turnover means modest profits.

He will avoid long-time commitments.

Above all, he will avoid plant expansion.

He will watch collections closely.

Finally, he will be very conservative in paying out dividends or in taking profits out of the business.

He will seek to conserve profits and to enlarge surplus as a buffer against future shocks, and against the unforeseen contingencies which an unbalanced world economic situation may easily compel him to face.

If there is general caution on the part of business men, the boom will not end in violent reaction. Rather it will slow down somewhat, and turn into a more modest kind of activity which will last longer than the present feverish pace is likely to last."

REPORT OF SECRETARY**By Wm. Hatch Davis**

To the Officers and Members of the Washington Bankers Association:

In submitting my first report, I desire to take this opportunity of thanking the officers and members of committees and the membership generally for the cordial support that I have received while I have been endeavoring to make myself familiar with the work of the Association. All those with whom I have come in contact have evidenced a genuine desire to help me make good in the work and I desire to express to them and each of them my profound appreciation.

We entered the fiscal year with a membership of 432 consisting of 393 active members and 39 associate members. We close the year with the same number. Five of our active members have dropped out because of failure but their places have been taken by five new members organized during the year. Three new banks have been incorporated during the past year, but have not yet commenced business and have not yet affiliated with the Association.

Shortly after assuming the office of Secretary I proceeded, in deference to time honored custom, to issue a bulletin to the membership. It cost nearly a hundred dollars and I came to the conclusion that it was not worth it and have discontinued the practice of issuing regular bulletins. It is evident that it is not practical, nor is there need for a newspaper issuing from the Secretary's office as the field is well covered by the regular banking publication. I have since followed what I believe to be the only practical method, that of issuing a circular letter whenever there arose anything connected with the work of the Association which I thought should be communicated to the membership.

Since my election I have attended every group meeting held in the state. I have attended local meetings at Colfax, Tacoma, Wenatchee, Spokane and Odessa. I also attended and spoke at the Annual Convention of the Montana Bankers Association at Missoula.

I have attended two meetings of the Executive Council, five meetings of the Legislative Committee, one Agricultural Committee meeting and was continuously at Olympia for sixty days during the legislative session.

We commenced the fiscal year with a deficit of \$2,166.00 and during the year have wiped it out. Only one reward for the apprehension of criminals has been paid during the past year. A reward of \$250.00 was paid for the apprehension of persons who

robbed the bank at Addy, Washington. One application was refused because the person for whose apprehension the reward was claimed was acquitted on trial and one application is still pending.

During the year I have sent out about a dozen circular letters, have written nearly one thousand personal letters and have furnished the members of the Association with over one hundred opinions on legal matters, all of which required considerable study and research.

The protective work is under the supervision of the Chairman of the Protective Committee and the bills therefor are paid only upon his approval. My experience with the work for the past year has led me to one conclusion, that there ought to be some arrangement devised by which the Association could undertake the defense as a part of the protective work of those of the country banks against which actions are brought involving questions of law important to the banks as a whole. Such actions are often very burdensome to the smaller institutions and often by reason of improper attention result in the establishment of legal precedents unfavorable to the banking interests as a whole. The Association this year undertook the defense of one bank for the purpose of determining what constitutes negligence in the case of safety deposit boxes. Questions of banking practice and liability are frequently arising, important to the banks as a whole that law be definitely settled. Usually the bank can not afford the expense of establishing the law and submits rather than bear the expense. It ought to be as much a part of the protective work to establish correct principals of legal liability under which our bankers as a whole are to do business as it is to prosecute forgers and bad check artists, or to furnish them with legal advice.

The question of finance is one that is of particular interest to the Secretary as well as that of extending the sphere of influence of the banker. There are a considerable number of organizations which are eligible to associate membership. I have hitherto refrained from any efforts to extend our membership along this line. From my own standpoint I see no reason why the Association would not be strengthened both financially and in influence by an increased associate membership. I hope the Association will approve the policy of cultivating the associate membership within reasonable limits.

Last year the dues for the fiscal year were collected before the Annual Convention. I prepared and sent our drafts covering increase as established by the Executive Council. These drafts with possibly one exception have been paid and we still have an Association of which we can boast a 100% membership.

REPORT OF TREASURER

Mr. President and Gentlemen of the Convention:

I herewith submit the report of the Treasurer of the Association for the fiscal year just closing.

A detailed list of receipts and disbursements is hereto attached.

General Fund

1922		RECEIPTS	
June	26	Balance from former treasurer-----	\$ 4,548.55
June	26	1922 dues—Whitman Co. Bank, Rosalia, Wash. -----	15.00
July	27	Continental Mutual Savings, Seattle, Wash. -----	7.50
July	27	Citizens State Bank, Molson, Wash. -----	5.00
Dec.	26	Silverdale State Bank, Silverdale, Wash. -----	5.00
1923			
July	2	Bank loan -----	1,000.00
Mar.	2	Total collection 1923 dues Sent out -----	\$4,915.00
		Less returned unpaid -----	90.00
			<u>\$4,825.00</u>
		Since paid -----	30.00
			<u>4,855.00</u>
			\$10,436.05

DISBURSEMENTS

1922			
June	1	Disbursements as per vouchers-----	\$6,783.88
July	3	Transferred to Protective fund-----	500.00
Feb.	24	Transferred to Protective fund-----	100.00
May	3	Transferred to Protective fund-----	500.00
Apr.	20	Bank loan interest -----	1,017.50
			<u>\$8,901.38</u>
		Balance on hand -----	\$1,534.67

Protective Fund

1922		RECEIPTS	
June	26	Balance from Treasurer -----	\$ 26.88
July	5	Transferred to General Fund -----	500.00
Feb.	26	Transferred to General Fund -----	100.00
May	3	Transferred to General Fund -----	500.00
			<u>\$1,126.88</u>

1922

DISBURSEMENTS

Disbursements as per vouchers ----	802.43
Balance on hand -----	\$ 324.45
	<hr/>
	\$1,859.12

Special Account

1923	Forwarded-----	\$1,859.12
Apr. 12	From William Hatch Davis-----	1,350.99

Revolving Fund

1922

June 26	From old Treasurer -----	100.00
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TOTAL BALANCE ON HAND JUNE 1, 1923 AND
CHECK FOR AMOUNT HEREWITH ATTACHED \$3,310.11

Respectfully submitted,

C. K. McMILLIN,

Treasurer.

The President introduced Hon. Mark E. Reed, President Bank of Shelton and Speaker of the House of Representatives, who then addressed the convention:

An issue of far-reaching importance will come before the people for settlement at the next general election in our state in the form of House Bill No. 126, passed by the last legislature with a referendum clause. This bill, more generally known as the Reed Bill, provides that municipalities may sell surplus electric power outside their limits to other municipalities, firms or individuals, but that when they engage in such traffic they must pay to the state a privilege tax of 5% on the gross earnings of their power plants.

The tax feature of this bill was a storm center of one of the hardest fights in the recent session of the legislature. Opponents of the gross earnings tax on municipal power plants that sell power outside the corporate limits of the municipality have declared that a bill will be initiated and placed on the ballot next year to permit the sale of surplus power without the requirement of a tax of any nature.

Thus it becomes not a question of the right of cities to sell surplus power outside of their limits, but a question of the right and propriety of the state charging a tax for that privilege. In the settlement of this question are involved principles vital to every citizen and to every taxpayer of the state; principles of equity, of

fair dealing, of sound business policy and of public morality. The proper settlement of this question will bear directly upon the immediate welfare of the entire state and upon its future progress and development.

I am firmly convinced that the law providing for a tax of 5% on the gross earnings of municipal power plants when surplus power is sold by those plants outside the limits of the municipality is sound in principle and should be approved by the people. I believe that this should be done as a simple matter of justice in spreading the burden of taxation; as a simple matter of fair dealing with privately owned power utilities that are controlled and regulated by the state and which have to pay both state and local taxes; as a matter of sound business policy in requiring that those who receive a service should be required to pay the cost of that service and not permitted to shift a part of the cost upon non-users and those who do not benefit in any way from the service, and finally, as a matter of public morality, in giving equal treatment to all and special privileges to none.

The principle of municipal ownership of such public utilities as light and power has been endorsed on the theory that service would be given at cost and therefore given cheaper than would be possible under private ownership. That ought to be the case in fact as well as in theory. Whether the theory has been realized or not has no bearing on the question under discussion. The privilege tax required by the Reed Bill does not make an attack on the principle of municipal ownership. It does not place a handicap upon such utilities that will eliminate the advantages they now enjoy over similar privately owned utilities. It attempts merely to limit the evil possibility of cities removing still greater values from the tax rolls and thereby piling up the tax charges against the balance of the people of the state.

This phase of the question, the most direct in its effects on the whole body of taxpayers, resolves itself into the proposition "shall the people of the state subsidize the expansion of municipal utilities and in so doing make a specially favored, tax-exempt class of the residents of such municipalities?"

I can conceive of no logical or common sense reason why this should be done.

It seems to me that much of the confusion of thought that gives rise among certain groups and in certain localities to demands for special exemptions, privileges and favors for public ventures is due to the fact that so many people think of the state or the government as an organization apart from themselves, with unlimited fin-

ancial resources derivable from somebody else, to which they owe no obligation, for which they have no responsibility, but which they believe should function solely for their benefit without cost to them in time, money or effort.

How often do you hear the comment that the government ought to do this, or it ought to prevent that. And how often is such comment made in a complaining or critical tone, as if the speaker was talking about an organization in which he had no voice, to which he owed no service but from which he had a right to expect that all his fancies should be gratified for the wishing, without obligation on his part.

Government in our country is not something distinct and apart from the people. On the contrary, it is nothing more nor less than a co-operative organization by means of which the people provide for themselves an orderly system of association, assuring themselves the enjoyment of certain rights and privileges and protection from the encroachment by individuals or groups upon agreed freedom of action and possession. Such an arrangement necessarily means that each member of this co-operative organization is obliged to consider the rights and interests of his fellows and to help his fellows maintain the cost, define the policies and direct the activities of the organization. What we call the state is the principal unit of this corporation, the counties, cities, towns and districts being subsidiary co-operative units formed to facilitate the management of purely local affairs.

It is obvious, therefore, that a citizen of Seattle and a citizen of Whitman county have certain mutual interests and mutual obligations. These they must consider, respect and observe if the government that they have set up is to maintain equal justice. So long as the citizens of Whitman county deal with their own local problems and pay all the costs of whatever ventures they launch, the citizens of Seattle have no complaint. The same is true if the case is reversed. But, if the citizens of Whitman county undertake to charge a part of the cost of their local ventures to the citizens of Seattle without giving any benefit in return or without paying compensation, then the citizens of Seattle have a complaint to make that must be heeded or the co-operative arrangement ceases to function equitably. This will lead to retaliation, and before long the whole structure will be in conflict and all rights and safeguards will be placed in jeopardy.

Such a feeling of antagonism between urban and rural communities is apparent even now, and it is growing because of the advantages and immunities that certain groups within some of the cities of

the state are demanding. This is an unhealthy condition and one that should not be fostered by still further unreasonable demands. If further favors are insisted upon in spite of the injustice that granting them will involve, discrimination soon will follow to the ultimate detriment of all.

It may be argued that taxes on city property are higher than on property outside of cities. That is a fact as a general rule, but the reason is that the residents of cities demand and receive more in the way of public service than do residents outside of cities and these services are the direct cause of higher taxes. Is there any reason why urban residents should be permitted and encouraged to increase and expand the activities of their corporate organization at the expense of the other residents of the state? That is what the proponents of a tax-exempt privilege of selling power by municipalities outside their limits are asking, consciously or unconsciously.

How is this so, you may ask. The answer is simple and undeniable. When a municipality acquires a power site and builds its plant, the property it uses is taken off the tax rolls and its value is deducted from the total property valuation of the state upon which taxes are levied. This necessarily means that the balance of the taxable property of the state must pay a higher rate to make up the taxes levied for state purposes, and the county in which the property is located must levy a higher rate on the balance of its property to make up its county taxes.

My own county of Mason will serve as a concrete example. The taxable value of all property, real and personal, in the county as equalized by the state board of equalization last year was \$5,776,000. The City of Tacoma, in acquiring the Lake Cushman site for the development of its municipal power project, forced the sale of timber and lands within the watershed of the then assessed value of \$162,985. The timber situated in this watershed was owned largely by the Rockefeller Foundation as an investment and, by reason of its isolated situation, would have remained on the tax rolls for years: based on assessed value of today, this timber would now have an assessed value of at least \$300,000. This means a material reduction of the total taxable wealth of the county, and the remaining taxable property must, necessarily, make up the difference in state and county taxes. Is it just that Tacoma or any other city of the state should come into that county and take so much wealth from the tax rolls without paying some compensation in the way of a privilege tax to help equalize the burden imposed on other property of all the citizens of the state?

It must also be borne in mind that all court expenses incurred in condemnation proceedings necessary for acquiring the lands

within the Lake Cushman watershed were paid out of the general fund of the county and the residents of the county, under the present law, are not permitted to purchase one kilowatt of the power developed within the confines of Mason County, but such power is transmitted through the county for the use and benefit of the residents of the City of Tacoma only.

It may be claimed that this argument lacks force and merit because the effect on the state tax paid by a resident of Whitman county due to the exemption of a given piece of property in Mason county for the development of a single city power project would be so small that the Whitman county taxpayer could not notice the difference. That is the insidious and deceptive plea that is made for every tax-increasing proposal.

We are dealing with the establishment of a principle which involves not one instance, but all, and it is the aggregate effect that we must consider. While one tax-exempt city property might not influence the general tax rate to an extent that would be material many such projects will make a decided and onerous addition to the tax burden.

If this thing is permitted to go on indefinitely, taxpayers, both within and without the cities who are now crying for relief, will find themselves crushed under the burden of public obligations, unless those agencies that take values from the tax rolls are required to make some compensatory return for the privilege that they demand and exercise.

Exemptions in Seattle and King County through the expansion of municipal activities, the acquirement of lands by the county and through legislative concessions, total, conservatively, over \$43,000,000 in assessed value, or more than the assessed value of all the taxable property in nine of the thirty-nine counties of the state. This amounts to more than one-sixth of the total equalized tax valuation of King County and means that each taxpayer in the city of Seattle and the county of King is compelled to pay one-sixth more taxes than would be the case were this exempt property on the tax rolls. Also, it means that the cost is spread over all the taxable property of the state in making up the state levies.

Figures are not available to show the grand total of the exemptions of property of this kind in the entire state, but the amount certainly reaches an imposing sum which, if paying its proportion of the cost of government, would make a decided and appreciable reduction in every tax statement.

These examples illustrate the cumulative effect of exempting property from taxation in our state. The Reed Bill does not propose

to tax the property now exempt. It merely purposes to prevent the grave injustice of permitting further withdrawals of taxable property from the tax rolls and holding it free from public charges, thus shifting the added burden to a fewer number of taxpayers throughout the state, when the property so withdrawn is to be used for providing a service that only a limited number of the people of the state can utilize and the cost of which the users ought to pay. It purposes that the balance of the state shall not be called upon to subsidize a municipality in a business venture or that the law shall make a preferred class of the residents of any city.

Nothing will be gained for the general public if municipal ownership is extended to serve a part of the people at the expense of all the people, when those not served can derive no benefit thereby. Municipal ownership of utilities can justify itself only by demonstrating that service can be improved and cheapened when all legitimate charges are included in the costs upon which rates are based.

The Reed bill permits a city to expand its power projects and to develop all the power that it can dispose of wherever the power can be transmitted, requiring only that 5% of the gross earnings be paid to the state when surplus power is sold outside the city. The law provides that this privilege tax be paid to the state because of a constitutional provision that appears to prevent the prorating of a part of the tax back to the counties in which the exempt property is located. Since all counties share in the loss through the operation of state-wide levies, it is felt that this tax will give a measure of deserved relief to the general taxpayers.

It should be remembered that Washington labors under a tremendous disadvantage in comparison with the majority of the other states in that practically one-third of its land area, including much of its greatest timber wealth, is embraced within national reservations and, therefore, not subject to taxation. It has to provide all of the agencies, functions and facilities of state and local government for the entire area for which no charge can be levied against any part of the wealth embraced in one-third of its territory. And, in passing, it should be said that the contributions made by the federal government in the way of aids to the state are insignificant in comparison with what would be yielded in taxes were the exempt wealth of these reservations on the tax rolls.

Is it sane policy? is it sound judgment? is it economically prudent to advocate that we continue to take or permit property to be taken off the tax rolls under these conditions without requiring

that such property, when used, help pay its share of the cost of the government?

It is not only unwise and unsound, but imprudent, for the certain result will be to stifle development, prevent progress and impoverish the very people in whose name the proposal is made.

It must be presumed that the opponents as well as the supporters of the power bill passed by the last legislature want to see the hydro-electric power resources of our state developed to full capacity as rapidly as demand for power and light will permit. Both sides contend that there is ample room in the state for private as well as for municipal power development. It then is important to decide upon a policy that will encourage rather than hinder such development.

It is claimed by the opponents to a gross earnings tax on power development that such a tax would cripple municipal plants and increase the cost to the consumer. Let us see if this should be the case.

The gross operating revenue of the City of Tacoma power plant of the year 1922 was \$1,293,423.53.

The net operating revenue, after deducting all expenses, including interest on bonds, development work on the new Cushman plant; a five per cent gross earnings tax to the general fund of the City of Tacoma, was \$797,209.86.

A 5% tax to the state would have amounted to about \$65,000. Would this further reduction of the sum of \$65,000 in the net earnings have crippled the finances of the plant or increased the cost to the consumer? *I say NO* and why are not the taxpayers of the State of Washington entitled to the same re-imbursement for property removed from the tax rolls as the taxpayers of the City of Tacoma are now enjoying by being assisted in the general city fund expenses out of the power plant earnings in the amount of 5% gross earnings tax annually?

The argument has been made by some of those opposed to the new legislation that a 5% tax on the gross earnings of municipal power plants will still further stifle municipal power enterprises. They contend that the only way to insure the full use of the water power resources of the state is to permit municipalities to develop and sell power wherever users can be found without paying for that privilege. In other words, they ask that private capital be compelled to help, through taxation, to subsidize the building of competitive municipal plants which shall have the advantage in competition of being tax-exempt.

It must be apparent to any one that this would discourage the investment of private capital in power projects in our state and,

possibly, would result ultimately in driving private power concerns out of business. On the other hand, a tax of 5% on the gross earnings of municipal plants selling power outside of the municipalities would not place municipal projects at a disadvantage. Such a tax would be practically one-half the tax that private companies now pay out of their gross earnings. The records in the office of the state department of public works show that private companies are now paying 9.6% of their gross earnings in state and local taxes.

Aside from the justice or injustice of this feature of the question, there is here, again, the inescapable taxation problem as it affects all of the state and as it would be still further aggravated in case conditions should be instituted that would drive private power plants to the wall. In addition to the loss of taxable wealth due to municipal development of untaxed power projects, the total taxable values of the state would lose many millions now represented in the holdings of solvent private concerns. All of this would combine to pile up the burden of taxation on the other property owners both within and without the cities.

The Reed Bill purposes to encourage municipal power development by widening the field wherein municipalities may dispose of surplus energy and at the same time prevent an unjust discrimination that would destroy investments heretofore made by private capital and that would discourage future investment of private capital in the further development of our great natural power resources.

Certainly this policy is economically sound as well as just in principle and best designed to promote the general welfare of the people of our state.

The division of water resources of the state department of conservation and development estimates that the potential water of the state amounts to 6,449,860 horsepower and that the present hydro-electric plants generate 440,860 horsepower, or 7% of the total potential development. These figures are sufficient to show that there is in fact plenty of opportunity left in the state for expansion of both public and private water power projects, and they also emphasize the importance of settling on a policy that will encourage such development, both public and private, as rapidly as conditions will permit. Nothing will be gained by a scheme of public development that will tax private enterprise out of the state.

The pressing need in our state today is a lower tax rate, not a higher. The rate cannot be lowered if the amount of property that pays the taxes is diminished. We must have more property on the

tax rolls, not less. That is the simple a, b, c of the tax problem.

Possible reductions in expenditures will not lower the rates if the amount of property that pays the taxes is decreased at the same time. This is demonstrated by the tax history of our state in the past three years. In 1920 the state taxes totaled \$17,526,799, including taxes levied for common schools and for roads. In 1922 the same levies totaled \$16,811,209, or \$715,590 less than in 1920, but the tax levy in 1922 was 15.06 mills as compared with 14.68 mills in 1920. The reason for this increase in the rate in spite of the decrease in the amount of taxes was due to the fact that the total taxable wealth in 1922 was \$77,567,392 less than in 1920.

The advocates of the tax-free public power plants know this to be the case and they attempt to meet the argument with the claim that, if tax-exempt, their power plants can sell power cheaper and thereby build up industries that in turn will create taxable wealth to more than offset the value of the property the power plants take off the tax rolls.

If that were true why has it not proved true heretofore? If municipal power plants have not developed industries to that extent within the cities, what reason have we to believe that by selling power outside the cities they will contribute to such development?

Where do industries usually develop? Is it not within the limits of cities where labor is obtainable, where transportation is available, where fire and police protection are provided?

We have the resources, the transportation, both rail and water, we have all the natural advantages that should induce the development of manufacturing in our state. Why has not greater progress in this state been made?

Seattle and Tacoma have municipal power, light, water, transportation and dockage facilities to offer. Ample and advantageous sites are available. But the development holds back. Why?

May it not be the high taxes that discourage investment?

Seattle and Tacoma are not now called upon to pay any sort of tax on the power they sell. Surely they can sell their power as cheaply now as they can next year or the year following if and after they secure the privilege of selling outside their limits. Yet they do not induce industries to flock to their precincts. So it is not a question of cheap power, but most evidently a question of high taxes.

If the present tax rate discourages investment in industrial enterprises in these cities now, can it be expected that a higher tax rate by reason of more property being taken from the tax rolls will invite such investment in the future?

The growth of taxes in our state has been out of all proportion to the increase in population or in taxable wealth. We cannot blink the fact that this has created a condition that is detrimental to the economic welfare of the state in that it discourages investment and settlement. We have no greater problem to face and to solve than the tax problem in Washington. The progressive multiplication of this burden must be halted and above all else we must stop the fatal tendency to decrease the number who contribute to the cost of government and the amount of wealth that bears the burden.

The pace that we have been traveling on the road to ever higher tax rates is reckless in the extreme. Washington became a state in 1889. In 1890 the total taxes for all purposes, except municipal, aggregated \$3,635,117, or a per capita of \$10.40. In 1920, just thirty years later, the total of all taxes levied, except municipal, \$58,245,295, or a per capita of \$42.93. While the population of the state increased only 3.8 times and the assessed valuation increased but 5.92 times in that thirty-year period, taxes multiplied 16 times. Besides the direct property taxes, we have been adding many other sources of revenue since statehood. For state purposes alone the direct taxes were 20 times greater for the biennium 1919-1921 than for 1889-1891, but the indirect taxes for state purposes were 103 times greater.

The rate of increase has been accelerated in recent years. In 1912 the tax levies for all purposes, state and local, amounted to \$31,204,820. Last year these levies totaled \$66,446,303, an increase in the ten years of 112.9%. In that same ten years the population increased but 18.3 per cent and the taxable wealth increased only 11 per cent. Since 1920 there has been a decrease in the taxable wealth of the state of 6.5 per cent.

Does this present an inviting prospect for homeowners or for investors? Do you think that the difference of a few cents for light or power would offset the impression made by the mounting tax rates?

Besides the heavy demands placed upon property for paying the current expenses of government in our state, the headlong heedlessness with which we are plunging into debt, as represented by the amazing rate at which we are piling up bonded obligations, can act only as a further obstacle to progress. The latest available figures, those for the close of 1921, show that the outstanding indebtedness for all units of government in the state amounted to \$191,007,543, or \$139.87 for every man, woman and child resident of Washington. On the basis of an average family of five, this means a debt of \$703.98 for each bread winner.

Like our taxes, our indebtedness has been increasing far more rapidly in recent years than earlier. During the seven years from 1915 to 1921, the addition to the total bonded obligations was \$85,654,996, an increase of 81.30 per cent.

Utility and local improvement bonds and warrants are included in the totals I have given. These are not retired by taxes against the general property—the utility debt being met out of charges for service and the local improvement debt standing against the property of the improvement districts. Deducting these two factors the general property debt on January 1, 1922, was \$131,507,627, and this represented an increase in the seven years since 1915 of 108.6 per cent. In that same period population had increased less than 10 per cent, taxable valuations only 14.15 per cent, while the volume of taxes had jumped 82.14 per cent. The interest paid during the year 1921 to carry the tremendous load of public debt was \$8,778,841.53.

In view of this situation, can anyone seriously advocate that we go blindly forward piling up taxes and bond obligations and at the same time permit municipalities to take more and more property off the tax rolls without requiring them to make a proportionate return to equalize the burden placed on the people of the state?

There is another consideration that influences the investment of private capital in industries of the state, a consideration of the weightiest moment and it must be recognized in dealing with the problem of providing for the future progress of the state. That is the attitude of the public towards invested capital. Is it friendly, or is it hostile? Will private capital be insured a square deal, or will it be subjected to unfair impositions and unjust competition after the desire that made it welcome has been gratified and its investments have become fixed so that they cannot be withdrawn without heavy loss or practical confiscation?

The position of the people on this municipal power bill will determine in the minds of other private investors what they may expect in their turn.

Private capital has been invited into this state in the past to develop our water power resources; to furnish light and power for cities and for industries. The utilities thus built up have been subjected to state regulations, their rates are fixed by authority of the law and they are compelled by law to give a specified service for such rates. This has come to be accepted as a proper exercise of the police power of the state, both by the people served and by the people who provide the capital for the service. It is recognized as a protection to all concerned. But what will be the result

in case the people of the state are induced to subsidize municipally owned power plants to compete on an unfair and unjust basis with these privately owned plants that not long since were welcomed here to provide a convenience and a necessity? Will not other potential investors be inclined to assume that the same experience may likely follow in their case: that the friendly welcome now held out to them may later turn to hostility, and that some other municipal agency will be subsidized to destroy their investment?

The moral obligation to deal squarely is just as great for the group as it is for the individual. The power to do wrong does not make wrong-doing righteous. As a people, we have imposed state regulations and control upon public utilities to prevent discrimination, rebates, unfair competition and all other abuses that developed under unrestrained exercise of the advantages the larger of such concerns had. We demanded of these utilities a square deal. Shall we now stultify ourselves by refusing them a square deal after we have tied them to limitations by law that make them helpless against such discrimination?

I do not believe that the people of our state will listen to such a proposal. If that were the only issue involved, I believe that it alone would defeat the scheme to give municipalities an unfair advantage in competition and to make a preferred class of the residents of such municipalities. In fact, I believe that the residents of the cities, themselves, will support H. B. 126 or the Reed Bill when they understand that it will deny them nothing to which they are rightfully entitled, and at the same time will prevent the great injustice inherent in the alternative proposal.

FIRST DAY

Afternoon Session

IN MEMORIAM

By M. E. Lies

President Douglas County Bank, Waterville, Wash.

Mr. President, Ladies and Gentlemen:

While we have assembled here in this beautiful city of Victoria for the consideration of various matters of importance to our profession and incidentally to renew acquaintances and enjoy the society of our fellow bankers, let us not forget to pause for a few moments to honor the memory of those absent ones, who have passed to the Great Beyond since our last convention.

Not all of them may have been great bankers, or brilliant financiers; but each and every one was, according to his light, a worker for the improvement of the condition of his fellow man; his community is better for him having lived in it. They have passed on; but their works live after them and it can be truthfully said "they are loved most by those who knew them best".

Let us not mourn for the departed ones; but rather let us feel that they have reached the goal and have received the rewards for which they strived and which they hoped to attain. The ancient philosopher told us, that the life in this world is but a period of preparation for the life in the hereafter, and, even in this more or less material age this philosophy is still recognized, by thinking man, as being sound.

During the past year the following bankers of the State of Washington answered the final summons to that great unknown country from whose bourne no traveler returns:

J. F. Kuntz, President of the Farmers State Bank, Wilbur, was born at Evanston, Illinois, on January 10, 1878 and died at Wilbur, Washington, on May 7, 1923. In 1901 he came to Wilbur. In 1919 he assisted in organizing the Farmers State Bank at Wilbur, serving first as Vice-President and later being elected to the Presidency, which office he occupied at the time of his death.

N. B. Solner, President of the First National Bank of Bremerton, Washington, was born in Janesville, Wisconsin, on January 10, 1864, and died at Seattle on August 30, 1922. He grew to manhood at Austin, Minn., and was educated at Carlton College. In 1880 he entered the employ of the First National Bank of Moorehead, Minn. as a clerk and shortly afterwards went to Edgerton, Wis., where he helped to organize the Tobacco Exchange Bank and served as Cashier of same until 1886. In 1888 he came to Seattle and affiliated with the First National Bank of that City. In 1900 he was one of the organizers and was placed in charge of the Bank of Cape Nome, Alaska, where he remained until 1903. He then returned to Seattle and together with James D. Hoge he organized the Union Savings & Trust Co. July 17, 1918, he purchased the control of the First National Bank of Bremerton, assuming the presidency of the same, which position he held until his death.

R. M. Breese, Vice-President of the Exchange Bank of Waitsburg, was instantly killed when an auto in which he and his son were riding was struck by a train a few miles south of Walla Walla.

John W. Reynolds was born in Montrose, Pennsylvania, September 2, 1848. In 1879 he came to Napavine, Lewis County, Washington. He engaged in the lumber business until 1903 when he organized the Security State Bank, Chehalis, Washington, of which he was

president until April 15, 1910. He then moved to Tacoma where he resided until his death on November 15, 1922.

Marion F. Barrow, Director of Third National Bank of Walla Walla, Wash., assisted in the organization of the Third National Bank of Walla Walla in 1908 and served as Director from then until his death.

John M. O'Neill was President of the Farmers State Bank of Almira, Wash., from January, 1922, until his death August, 1922. Mr. O'Neill served as Director of this bank from its organization in 1914.

Henry Arnold, Director of the Bank of Chewelah, Wash., was born at Furfeld, Germany, December 17, 1881 and died at St. Lukes Hospital in Spokane, Wash., on July 4th, 1922. He came to the United States in 1900. He was a director of this Bank for the last three years.

Harry H. Turner, Vice-President and Cashier of the Baker-Boyer National Bank of Walla Walla, Wash., passed on November 26, 1922. Mr. Turner was cashier of this bank for twenty-one years and in addition held the office of Vice-President during the last two years. He served the Washington Bankers Association as Treasurer during the year 1906.

A. A. King, Cashier of the Farmers & Merchants Bank of Walla Walla, Wash., was born in Fontana, Kansas, August 28, 1869, and died at Walla Walla, October 8, 1922. He entered the employ of the Farmers Savings Bank in 1903. In 1917 he was elected Cashier of the Farmers & Merchants Bank which position he held at the time of his death.

E. C. Neufelder, President, Peoples Savings bank of Seattle, aged sixty-eight, died May 31, 1923. Mr. Neufelder came to Seattle about 1888. For a number of years he was Vice-President of the Puget Sound National Bank. He bought out the Peoples Savings Bank in 1899 and occupied the office of President up to the time of his death. He was for years Belgian Consul in Seattle and was president of the Clearing House Association.

Alvin F. Bailey, Vice-President of the Seattle Title Trust Co. was drowned in Hoods Canal near Union City, Washington, on August 26, 1922. He was born at Barre, Massachusetts, near Boston. He was a graduate of Harvard University and came to Seattle from North Dakota, where he had had banking experience with J. H. Edwards, former Vice-President of the Dexter Horton Trust and Savings Bank. His home was on Mercer Island near Seattle.

Jesse M. Langsdorf, President and founder of the United States National Bank of Vancouver, Washington, passed away at his home in Vancouver, Washington, at the age of seventy-nine years. He

was born at Braddock, Pennsylvania, on March 22, 1844. Soon after graduating from the Iron Mountain Business College at Pittsburg, he enlisted in the Quartermaster Corps of the Northern Army. In the late sixties he came to Utah and organized the Hussey Donier Company in 1869. In 1876 he organized and became Cashier of the W. Guthrie Co. of Ogden and Salt Lake City, and in 1881 formed the Harkness Co. In 1884 he helped to organize and became Vice-President of the Commercial National Bank of Ogden, Utah, and in 1889 the firm of Langsdorf & Co. was formed by him at Salmon, Idaho. In 1910 he came to Vancouver, Washington, and founded the United States National Bank, serving as its President until the time of his death.

ADDRESS

By C. P. Bissett

Professor of Jurisprudence, University of Washington

Mr. Chairman, Ladies and Gentlemen:

There is a danger I think, as men grow older, that life takes on a more sombre hue. In the heyday of life, even the things which afflicted us remotely were soon forgotten, and the enthusiasms of youth found every day glorious with the sunshine. I do not wish to admit that I feel the encroachment of time; nor do I wish always to sound a note of warning, which perhaps may be misunderstood to be a note of pessimism. But I have chosen to speak to you for the few minutes that I shall occupy your time on what I shall regard perhaps for lack of a better name, "The Responsibility of the Banker to the Community". Now it is not strange that a college professor should advise bankers. That is one of the peculiarities of our American psychology. Bankers come out and advise college professors how to conduct their classes, and the professors of colleges tell the bankers how to conduct banking. This is largely due to the fact that we are not able to differentiate in our minds the distinguishing differences in educational possibilities. The reason why I am competent to advise you how to manage your banks is because I don't know anything about banking, and the reason why you should be competent to advise college professors how to conduct their institutions is because perhaps you have little knowledge of the question of educational needs. But there are some things we all meet upon common ground, and that is the ground of citizenship and responsibility to our common country. I think nothing is as clear and definite in our modern life than that the bankers and the man of large business are utterly and hopelessly

ly inefficient when it comes to the care and responsibility of citizenship.

The gentleman who just preceded me referred to the fact that bankers were not in good odor in the community. I think he makes a very serious mistake when he says that. Bankers are always in good odor in the community. The difficulty with the banker is because he doesn't care what happens to the community. Recently in a Chicago paper, a President of a great bank gave out a statement in which he said that at a recent election, a questionnaire had been sent out to more than 150,000 voters in the City of Chicago, and that of the 82,000 who answered the questionnaire, more than ninety-one per cent of them gave this answer: that no banker had either directly or indirectly attempted to influence them in respect to their civic responsibility; and this, if you please, the banker sent out as a recommendation for him and for his institution. Sixty-four thousand people then out of the small number who answered the questionnaire announced that the banker had never advised them, had never consulted with them, had never done anything to put them in a right attitude towards their civic responsibilities. Instead of being something which the banker ought to be proud of, it is something for which the banker ought to be infinitely ashamed.

You cannot escape this responsibility, because it is the outstanding fact that all the people in the community look to you as a guide and advisor in respect both to their financial and their political situation. If you have no interest in it, if you are so immersed in the cares of your own particular business, if you will not do anything towards properly advising the people with whom you come in contact, then you cannot complain because red radicalism is a growing menace to American institutions; you cannot complain, if you yourselves are so steeped in sloth and indifference to American institutions that the insidious propaganda which is going on all about us, advances. The responsibility which is on your shoulders, as bankers, does not end when your books balance and your bank has sufficient money to pay its depositors. Your responsibility to this nation is more far reaching than that, and it goes so deep that you ought to use every pound of energy, every dollar that is wrung from the fruitful earth, and every drop of blood that flows in your veins, in the determination that this nation, which under God has wrought so much, not only in a material but in a spiritual sense throughout the length and breadth of the great world, shall not be allowed to be overrun by propagandists, who have no idea save the immediate profit of the hour. The banking fraternity represents the most powerful organization that exists in the United States, and the question that is being asked now by the

men and women of this country is, how are you using it? Are you using it merely to satisfy the lust of gain? Are you using it merely to build up great financial institutions? Does America mean so many miles of latitude and longitude, and so many ships, or so much armament, or does it mean the great and glorious dynamic, a great ideal, to build up constitutional government? Do you realize that there is tremendous unrest throughout the length and breadth of the land today; that men are reaching around to find some panacea, some new method of doing things? Do you realize that there is at the present time a perfect orgy of spending throughout the land; and do you realize that you are responsible for that orgy of spending, and one of your responsibilities is to stay the hand of this inordinate orgy of spending, and have the people pause and realize that the value of American life consists in building citizenship, in building character, in building thrift, and no deviation of the principles of constitutional government? We hear so much these days about making the world safe for democracy; but I have often thought in these latter days, when the propagandist has run far and wide, that what we need in these United States is a form of government, and adhesion to the principles of government which will make these United States of America safe from democracy. The rule of the mob is of no greater value in the world's life than the rule of the autocrat. When our fathers formed this great nation, they chose between autocracy on the one hand, and democracy on the other, and they hewed a line between those two great contending forces and made representative and constitutional government. Do you think these great evils which are pressing upon us day by day can be avoided by the gentlemen who are appointed as a committee to interview the Legislature? If you think that, I tell you that you are mistaken. A Committee will not only have to be appointed to attend the legislative sessions and attempt to see that unfortunate laws are not passed, but each one of you, those of you who live in the cities, and those of you who live in the country, each one of you must appoint yourself a committee of one to see to it that your depositors, that your clients, that your business associates realize the value of constitutional and representative government. You must see to it that they realize that this nation has been builded upon the foundation of LAW, and that OBEDIENCE to the LAW is a primary requisite to a sane, to a safe and to a healthier government. No man who loves his country, no man who is devoted to the principles of his country can be a law-breaker and a law violator. Without that respect and obedience to law, your business and professional activities are of no avail, and there is no safety from destruction.

We hear so much these days about the wonderful laws of Solon. After all, reduced to modern understanding, what were the laws of Solon? In those days, when a man had a mortgage on his property, they put a sign up on his lot, which is the same as the real estate agent puts a sign on a piece of property "For Sale". Presently some people went around and they found that there were a great many more lands with signs on them than there were with signs not on them. Then one of the wise propagandists of that day said "All we have to do is to get a majority of the people who have signs on their lots, and then we can wipe out all those questions of indebtedness, and start afresh." So, as a matter of fact, the basis of this was a tremendous revolution—a tremendous revolution that would wipe out the spirit of integrity. Now there is no possible doubt that the reason for that was because of the sloth, the inactivity and the disregard of the men of finance of that day, and you may sit quietly in your arm chair content with your bank balances, but I warn you, gentlemen, there is a propaganda going on that will shake your institutions to their very foundation, and the whole system of banking will be shaken to its very foundation unless you arise in your might and assert the prerogative and potential power of American citizenship. You cannot stand idly by and let the propagandist rage and the "people imagine a vain thing". You cannot stand idly by and be contented with your balances, your cheques and collateral. You must recognize the fact that this nation belongs to you, and that the institutions that you serve, that the people you serve, are looking about for advice and counsel to protect them and their interests against the propaganda of red radicalism and bolshevism.

Every day there springs up some new propaganda. Only the other day a book was sent to me, as I suppose it was sent to many other college professors—a book was sent to me making a violent attack upon the whole system of banking. This book sends forth the message that you are all thieves and scoundrels, black-legs, and scallewags. This had no effect on me because of the fact that I know you; but in the mind of a great many unthinking people, what have you done—what is the reason for such harsh denunciation? What have you done to change the current of that thought in American life? Look into your hearts today and answer this question. How many of you have voted at every election? How many of you have counselled that man and woman about elections? How many of you have known the Bills that were to be enacted by the people? How many of you have given solemn and God-fearing attention to the propaganda that is going on all around you for the wrecking of the institutions of America? How many of you? It would be unhappy perhaps to call for a show of

hands. You can always depend upon it that the propagandist gets out and votes, but you, and those like you, sit idly by while wicked and sinful men are laying the foundation to wreck this magnificent structure of constitutional government.

It seems to me that I have not come with any very popular message for you, and probably if you had known what I had to say you might not have done me the honor of asking me; but I am too old now to mince words with my fellow citizens. I have a solemn duty to perform. This is my country—mine in a very peculiar sense—mine because its soil is wet with the blood of my ancestors. My grandfather served in the War of Independence, my father fought at Gettysburg, I served in the Spanish-American War, and my son served on the battle fields of France, and I propose to lift up my voice in unceasing cry against the perils that threaten to wipe out those glorious institutions which have been purchased with the blood of my fathers; and I call upon you men who stand in these positions of trust and responsibility to recognize the fact that it is not sufficient for you to wave the flag and clap your hands when the soldiers pass by on the streets; but it is Monday's work, and Tuesday's work, and every day's work, and every hour's work, in order that we may hand down constitutional and representative government from generation to generation, to your children and to their children after them. It is a much more important thing that this nation should be preserved than that you should hand down to your children a goodly fortune. The rich and goodly fortune they may make themselves, or it might be lost in the struggle of business; but this nation, built on your sacrifices and toil of our fathers, built upon a rock, a rock of constitutional strength and power, let this be wiped out, and the last great hope of mankind is destroyed. It is your obligation to yourselves, to your children, and to the country generally to see to it, every day and every hour that the great throbbing pulse of the nation is educated and instructed, and that this Government of ours, so rich in promise, so rich in glory, shall not be allowed to be over-run by every propagandist, who would destroy us and make us of none effect. If we turn our eyes to the great cry (crime) which is going on in Soviet Russia and southern Europe, what does it mean? It spells "Indifference". It may be all very well if we were to decide who should whitewash the fence, to leave that to a majority of the destructionists; but if we are going to pronounce upon who shall build structures on soft ground, that calls for the opinion of an engineer; and you men of business experience and prominence, you represent the civil engineer, and it is your obligation to see to it that your clients and your friends and your busi-

ness associates are instructed in the ways of government, and in the responsibilities of citizenship. I call upon you gentlemen to bear this in mind. I realize that nothing is more ephemeral than speech making; but bear this in mind, if this nation is destroyed, if radicalism prevails, it will be because of you and such as you. I have no fear of the bolshevist; if he becomes obstreperous we can put him in jail. I have no fear of the red radical; the men I fear are YOU and such as you, who close your eyes to your responsibilities, who shut out the very pulsations of life and destiny, and close the door of the possibility of this nation going on from glory to glory, because of your shocking indifference, and such indifference that is common today in your so-called better classes of America, which is shameful and treasonous. But scarcely less dangerous is the man who sits quietly and does nothing, and allows the ship of state to go down upon the rocks, when he might preserve it by putting forth his energy and dominant power. I charge you to go from here determined that at least the Bankers of the State of Washington will stand shoulder to shoulder in the great crisis that confronts us as a nation, and that we will do as the French did at Verdun to the hordes of red radicals of Prussianism, "You shall not pass", and that we will let every drop of blood we have and every dollar we possess be lost before we will sacrifice the glory of constitutional government. (Loud applause).

THE CHAIRMAN: My only regret is that every banker was not here to listen to this wonderful address that Professor Bissett has given.

REPORT OF LEGISLATIVE COMMITTEE

By R. R. Mattison

Vice-President National Bank of Tacoma

Mr. Chairman, Ladies and Gentlemen:

The work of the Legislative Committee was finished when the Legislature adjourned some three months ago. Very early after that time our Secretary sent to each of you a summary of all of the bills of special interest to our members which had been introduced at the Session, and the action taken upon them. Subsequent to that the State Banking Department issued a pamphlet which contained in full all of such bills passed by the Session of the Legislature. For this reason there remains very little to be said in the way of a formal report, and it is my intention in the remarks I shall make to attempt only to call your attention to some aspects of the situation

which confronted us, and to some of the things which we think we learned in the work which we undertook to perform.

The President and Chairman have been so kind in their reference to the work of the Committee, that I would like to take a few minutes to point out to you some of those to whom credit is due. The President had appointed a committee of workers, and every one of them responded to every call which was made upon them. It fell to the lot of Mr. Triplett of Spokane to be called upon more than any of the other members of the Committee, and he responded nobly. Credit is due to the Speaker of the House and to the Lieutenant-Governor, both of whom appointed banking committees whose business experience and sound judgment stood them in good stead in passing upon the different matters coming before them. The State Bank Department rendered us very effective assistance at the time we needed it most. We had a great deal of help from various members of the Association, and frequently from those members of this Association who are also members of the Legislature. I think perhaps you all know that our Mr. Davis, the Secretary of the Association, was also Secretary and General Counsel of our little committee. He attended all of our meetings, and when the Legislature convened, gave up his practice in Spokane and moved over to Olympia and stayed there during the entire Session. He did mighty good work and is entitled to a lot of credit. Our Committee raised a fund by voluntary subscription to meet its expenses, and was able to turn into the treasury something like \$1,400.00 of unexpended funds.

The first work we undertook was that of ascertaining what the members wanted us to do. We found the feeling general that the Session which was before us was to be a difficult one for some of the reasons that have been mentioned here today. We had the failure of the two Scandinavian-American Banks, and other banks throughout the State. It was felt the people would demand some wide sweeping changes, and it was thought that such changes would be of a radical nature. We knew there would be bills inimical to our interests and to the interests of the State which would be brought forward. All were agreed as to the difficulty which confronted us, and all of those with whom we talked or communicated agreed that we would have some work in store in order to head off undesirable legislation. Some of those with whom we talked, however, thought that we (the bankers) should not ask for anything, because the bankers were at that time considered to be in ill-repute; and others thought it would be necessary for us to introduce wide sweeping changes ourselves, or that we would have some less desirable inflicted upon us.

We knew pretty well how the members felt about most of the bills which were expected to be introduced. There was one, however, that perplexed us somewhat, that is the one which pertained to the adoption of a bill in this State patterned after the California Banking Act and requiring the segregation of loans and deposits. You will remember that at the Convention in Spokane a year ago a motion was made that the Legislative Committee be instructed to work for the passage of such a bill. The motion was defeated, but that constituted a negative commitment at best, and a rather unsatisfactory expression of opinion on the part of the Association. The Committee approached the subject with an open mind, and held many meetings at which it was considered. We undertook to have a referendum of all of the members of the Association, and found sentiment overwhelmingly, if not actually unanimously, against such a policy; and finally, we held a joint meeting with the Executive Council of the Association, and discussed the matter again, and after a unanimous vote it was agreed that we should oppose the adoption of anything of that kind. And we did oppose it.

As to the results of the Session, it is perhaps sufficient at this time to say that all of the bills that we did oppose were defeated, and that all of those introduced which we favored were passed (applause). Unfortunately, one of the bills which we favored was subsequently vetoed by the Governor, so that our record is something less than 100%.

It was gratifying to the Committee to find that we were able to favor everything which was desired by the State Banking Department, and very effective assistance was given us on occasions by the members of that Department. In that connection I would like to say a word: I think we all agree that the laws pertaining to banks in this State, on the whole, are very good. No doubt there are some minor amendments that should be made. There is no legislative panacea that is going to do away with our troubles, and I think the members of this Association will agree that the greatest prospect for improvement of the banking situation, as to State banks, lies in strengthening the State Department. At the present time the Department is in very good hands. Probably most of us could agree that it is in better hands than it ever was before. It is a difficult and thankless job. They are bound to receive criticism regardless of whether or not it is deserved. The best work they do is of such a nature that the public can not be made acquainted with it. I think it would be a good thing if this Association were to give some expression of confidence and appreciation to the State Banking Department as at present constituted;

first because it is coming to them; and second, because I think the effect on the general public would be good.

As to the future,—there is every indication that the present year and the year to follow will be fairly tranquil years, and in a situation of that kind it will be a difficult matter to develop any considerable sentiment for wide sweeping amendments to our banking laws. We have no idea of asking for any special favors for ourselves, and it ought to be a mighty easy thing, properly organized, to head off any radical or undesirable legislation. We must have an alert and aggressive Legislative Committee, which will keep in close touch with all the members, and which should receive the co-operation of all the members throughout the State; and with the support that we have of influential men in each community, it should not be difficult, if we are properly organized, to prevent the passage of ill-considered and unwise legislation which may be proposed from time to time. I think we will have to expect to find ourselves more or less in conflict with some of those connected with the Savings and Loan Associations. There is an element among institutions of that character which is disposed to ask for powers considerably wider than they now enjoy. My opinion is that they are now executing functions which they are not authorized by law to perform, and which they should not undertake. If the proponents of the Segregation Bill are to be believed, that Bill will be brought up again. We have been told that it is to be introduced at each session until it is passed. I hope they will change their minds. If the sentiment of the members continues as it appears to be at the present time with respect to legislation of that character, I do not think there would be the ghost of a chance of its passage, and I think that propaganda for it would be most unfortunate, and any agitation along that line can have but one purpose, or at least but one effect, and that is to foster a lack of confidence which the situation of the banks throughout the State does not justify.

In so far as the remarks which I have made have constituted an expression of opinion, it should be stated that the opinions expressed are my own. Our Committee has not met for several months. In one respect, however, I feel entirely safe in speaking for the entire Committee, and that is when I say that our association and experience in the work of the Committee have been most agreeable, and that if there is any way we can be of assistance to the committee which succeeds us, we shall be very glad to do so. (Applause).

THE TAX PROBLEM

By Mr. Nathan Eckstein

President Schwabacher Brothers Co., Seattle

I am sure when Professor Bissett goes back to his 5,000 students in the University of Washington he can assure them that the country is entirely safe, at least so far as the bankers of Washington are concerned. I listened this morning to the principal address which was delivered at the morning session, by Hon. Mark E. Reed, Speaker of the House of Representatives, and he spoke on the question of taxation; although that wasn't his title, he covered the subject fully. The bankers did not listen then so attentively because they wanted to know how to make more money, or because they wanted to know how to conduct their business differently, but they listened to the Speaker of the House of Representatives as citizens, and I would like to see the message which he gave this morning in that splendid address of his get into the hands of every voter in the State of Washington. This afternoon, they are not listening to bankers to be told how to conduct their business, but they have listened to Professor Bissett on the subject of citizenship. So that the two principal speeches of today are really devoted to things for the public good, and not simply in the interests of the banking fraternity especially; and as long as that condition exists, we can assure our constituents at the university and people of the State that in the State of Washington, at least, selfishness is not rampant, and that the interest of our State is the issue of the day.

It is entirely proper that bankers should devote much time to the question of taxation, because on the question of taxation depends the welfare of our state, as the welfare of the State depends on the prosperity of the banker.

This morning I was interested in hearing that the bank capital of the State last year earned only about four per cent interest; less than in almost any other business, and if the people generally knew that, there would be less complaint and criticism of the bankers and of banking institutions.

Everyone in our State is deeply interested in the question of taxation. The Legislature at its last session spent a great deal of its time in discussing taxation. The Legislature of 1921 instructed the Government to make a study of the entire subject of taxation, and to report at the next Session of the legislature. This Committee so reported. The report is printed, and I hope that most of you have taken the trouble to read it. I can only refer to a few features of that report. At present, in the State of Washington,

and I am speaking only of taxation in the State of Washington—at present in the State of Washington, real estate and personal property bear the entire burden of taxation, and this burden cannot be increased without actual confiscation of property. The Committee therefore started to find out how this burden on real property and tangible personal property might be relieved.

The Committee had a number of public meetings, at which the public were invited to appear, and tell the committee what was wrong with our system of taxation, and how it should be changed, and much to the Committee's surprise we learned that the people did not so much object to our method of taxation, as they objected to the fact that we were spending too much money for our government. When we asked the people, where are we spending money needlessly, we were met with the answer "We don't know". Everyone is agreed that we are spending too much money, but no one can recommend a remedy. No one can tell us where to cut it off. We found this—we found that in 1917 before we entered the war, the State of Washington, for State purposes, raised a little more than seven million dollars. In the year 1921, the State of Washington, for State purposes, raised about seventeen million dollars. In other words, the cost of our State Government increased from the time we entered the war until 1921, from seven million dollars to seventeen million dollars. Part of that increase, of course, is due to the general rise in prices. Prices have advanced on almost everything, and salaries have been raised. We found that the greatest part of the money that the State is spending, not only for State Government, but the citizens as well, is not being spent on things that are of prime importance, but is being spent on social activities, luxuries, and different forms of social enjoyment.

The schools consumed about forty per cent of the money of the State. Our hospitals and other social activities required a great deal more money than the actual function of government such as we took care of in 1889, when our State was born. In 1889, the state paid nothing toward the cost of education. The cost of education has been increased. Instead of allowing eight dollars per child, it now allows twenty dollars per child. Now that is an expenditure which the people have in their own hands. The legislature is not spending the money in our schools. The people themselves are spending it. Professor Bissett pointed out that the business man or banker is not much concerned in the education of the public. I would like to point out this, that the business man and the ordinary citizen, whether he is a farmer, or banker, or laborer, or merchant, is very much concerned in education, and understands education in this sense,—he may not know, he need

not know—how to educate children, but he does know, or ought to know what children are to be taught. How they are to be taught should be left to the professional educationalist. *What they are to be taught, ought to be left to the taxpayers*, because they have to pay for it. One business man pointed out that it was not necessary to teach every boy and girl bookkeeping—that it was waste of money; while another gentleman got up and said “I object to your teaching my children how to make indigestible pies”. I submit it is absolutely the function of every local school board to tell their superintendent what children shall be taught, and what the people are willing to pay for, because on what we teach depends the cost of teaching, and on that depends our taxes. While we are yelling about taxes, we must bear in mind that we ourselves levy the taxes. The House itself is not anxious to increase taxes; but the greatest job is to stand up there against the delegations that come there asking for votes of money. If they listened to every delegation that comes there, we would have a normal school in every town of five thousand people, and every village would have a paved highway. That we have not such a condition is due to the sensible men we have in our State Legislature, and local governing bodies.

Professor Bissett pointed out the duty of the banker in that regard. I want to point out that whenever a body of men get together and complain of our administration, we are told that the reason so much money is being spent, or wasted, is because the business men, which of course includes bankers, cannot be elected to office. That is a fallacy that we must explode. Every business man or banker is eligible to public office. There are sitting in this room prominent business men who hold important offices in the State, one a Bank President, and Speaker of our House. There are sitting here several members of the Legislature from various parts of the state who are engaged in banking. I could mention many more; and I have rarely known a successful business man that ran for office in the State of Washington and wasn't elected. When a good man is defeated it is because he is not known to the community, and if he would take the trouble to run a second time he would be elected. It is these politicians that are spreading that idea abroad, that the business man cannot be elected to office. Whenever a successful business man runs against a politician, the business man wins out, and the politician is out of a job, as he ought to be.

I hope that this Bankers Association will always include in its membership many men who are holding public office, more than we have today. Everyone was agreed that everything was wrong with our system of taxation. Everyone favored a sales tax. A

State Sales Tax was the panacea that was offered. Our Committee investigated that question, and came to the conclusion that it was an impossible tax, because to put on a local Sales Tax meant to drive the business to other states where such a tax did not exist. I am very happy to say that the present Legislature never considered a sales tax for one moment. I point that out in order to show you that in our anxiety to remedy present evils in taxation, we would "fly to those we know not of". We should not act hastily, but should well consider what we are going to do before we change our present system of taxation. As a matter of fact, our system of taxation is good. What is wrong with our taxation in the State of Washington is its administration. We need a State Tax Commission, or Tax Commission, to see that our present Act is properly administered. The assessments in our State are not equal. Different counties are assessed on an entirely different basis. In one county, they are assessing lumber in the yard at its full value; while in other counties they barely take notice of it at all. Municipally owned property is not the only property not on the tax roll, there are millions of dollars worth of property which belongs to the tax rolls, but which is not there on account of the inefficient administration of the Act; and that will always be so until we have a central taxation body in the state who will attend to administrative work. I am not complaining that perhaps the farmer is not fully assessed; and the farmer complains that the city man is not properly assessed. I remember a man in the shoe business who came to one of our meetings. He said that he did not believe in placing a tax on a stock of merchandise. He said "You ought to have an occupation tax instead of that tax, because around the corner from the shoe man is a butcher, who is making just as much money as the man in the shoe store, and that man need not pay any tax because he cleans up his goods every week, whilst in the shoe business he can only turn his stock two or three times a year". So he wanted an occupation tax. When I was in San Francisco a few weeks ago, I found they were paying an occupation tax. I noticed a sign on the back of the boot black's chair, stating that he had paid his occupation tax. I believe a boot black ought not to pay an occupation tax at all. I went into a barber's shop, and found another certificate of the occupation tax. I do not think that man should pay an occupation tax. We do not believe in them and we do not need them. Some people said: we should restrict, in some way, the levy that can be made by tax levying bodies, and the total should be forty mills on a fifty per cent valuation. Our Committee investigated that, and we found out that in states where they have a forty mills limit that their

taxes were not limited to that, because it does not limit the amount of money that is spent, and once the money is spent, the bills have to be paid. They simply vote bonds to pay their bills. We believe it is better for the State of Washington to pay its bills as it goes along out of taxes rather than pile up a lot of indebtedness. While our State is tax ridden, I hope every banker in this hall will realize that the State of Washington is no worse off than any other state in the West. I believe we are better off. When I hear bankers from other states tell us how they pity us, and how well off they are, I find out, after analysis that they are no better off than we are. They are paying their taxes in other ways. They are paying, actually higher taxes than we are paying and the records show that. Our trouble seems to be that all our taxes go on to tangible property. But that is not bad if every man pays his just share, and if the assessment is absolutely fair and no money wasted. It is waste of money we are complaining of rather than our system of taxation. The State of Washington has not any bonded indebtedness. I hope any of the eastern bankers that may be here will remember that. The Prime Minister of this Province stated that they were happy to have the bankers from the State of Washington come here and bid for the provincial bonds. No banker can go to the State of Washington and bid for the State of Washington bonds, because they do not exist. There are the Soldier Bonus Bonds, but they are so small that we need not consider them. I believe there is a great amount in the general fund and that they are going to retire these. So the State of Washington has no bonds. The State of Washington has a great deal of property. The State of Oregon, for instance, has sold off all its public lands. In our state, through good management of the Legislature, we haven't done that. I am told by lumbermen that the timber on the publicly owned land in our state will eventually bring to the State Treasury some five hundred million dollars. We also know that they are building a beautiful capital down at Olympia, and we need no issue of bonds for that, and we need not tax ourselves for it, because the State has held on to its capital land that was given to it by the Federal Government; and when the buildings are completed, the land will pay for that building. We know that our roads are paid for. There is no standing indebtedness on account of our paved highways. We are complaining of taxes, but we have paid our way. When we drive over the Pacific Highway in Oregon, we know that those roads are not paid for. They will be paid for by the children and grandchildren of the men who built them, and they will be old roads before the bonds are paid for. When we go to the State of California, we find the same thing. We

hear people telling us what a wonderful system of roads they have in California, but they do not tell us that the people who are induced to come in there and settle there are going to pay their share of those roads, because they are not paid for. But when we invite the settler to our State, we can say that this school house and these roads are all paid for, and we offer them to you as a free gift to enjoy, because we have paid for our improvements as we went along. That is not the truth with regard to local improvements. Local improvements are often paid for out of local bond money. That is why we recommend to the Legislature that they enact a serial bond law, because many of these local improvements are worn out before the bonds are paid for. In Seattle it is high taxes. We have school buildings; the Broadway High School, for instance, it is all paid for. A man that comes to our city can send his children to a school building for which he will pay nothing more. One of the complaints that we have heard with regard to taxation was that taxation was not our greatest burden at all, but that the greatest burden was the "fake" stocks with which our State was being flooded, and our Legislature has enacted a Blue Sky Law. I have heard various explanations of that law. Some people claim it means that the blue sky expresses the thought that the "faker" limits the capitalization of his company only by the blue sky. Other people tell me that "fakers" actually sold an interest in the blue sky. "Blue Sky" is the common accepted term, and our state enacted a law which we hope will prevent the robbing of the public by "fake" stock salesmen; so that the people will have money to pay their taxes. The Legislature has adopted the recommendation of the Tax Investigation Committee for higher license fees for corporations. Our incorporation fee was only thirty dollars, whether it was a little store with a capital of five hundred dollars, or a big corporation with a capital of a million dollars.

We have adopted a new system of license fees, which will bring in a great deal of money; but they are small. We have enacted an Inheritance Tax. That is a wise law. I want to point out that the Inheritance Tax in the State of Washington is not as high as it appears to be when you read the law carelessly, because the rates do not apply on the amount of money a man leaves, but on the amount that each heir gets. In other words, if a man dies leaving half a million, the rate is not the rate on half a million dollars estate. If he is fortunate enough to leave five children and he gives a fifth to each of those children, the Inheritance Tax is only payable on one hundred thousand dollars. I am satisfied the rates are high enough now. The Inheritance Tax should be left with the state,

and the Federal Government should repeal its Inheritance Tax law. Our Committee recommended against a State Income Tax. It is unreasonable. We believe that Congress levied an income tax rate in accordance with not only what is fair and just or proper, but in accordance with the ability of the people to pay these taxes, and I believe that if the people could stand a fraction of increase on the present income tax, that Congress would tack it on. Therefore if a State Income Tax were levied, we should be admitting that we were able to pay more income tax than even Congress believes we can afford to pay. I do not believe that is possible. While the Federal Income Tax rate is as high as it is, the State should not have an income tax. I know the State of Oregon recently had one, and I see it is going before the people by way of referendum. If the people of the State of Oregon do approve of that tax, I think there will probably be less criticising of the taxes of the State of Washington.

Our Legislature very wisely increased the tax on gasoline from one cent a gallon to two cents, and if I had my way I would increase it still further. It is a strange coincidence that gasoline dropped two cents the very day the legislature enacted this legislation. They are producing gasoline in such enormous quantities in California that soon I understand the State of California will be tax free. I think if that day every comes that the tax on gasoline should be increased to five cents. I think that two cents on gas is eminently fair. I know the automobile owners say that they are not the only ones that are getting the benefit from use of the roads. The amount of money spent on the upkeep of roads is one of our heaviest burdens. A gas tax is one sales tax which will not injure business, because you cannot go out of your state to buy your gas. So it is paid by everybody.

Now I come back again to this: There is nothing wrong with our system of taxation; there is a lot wrong with the method of administration. We are not taxed as high as the people in other states, only we talk more about it. I have found that some of the people in this state, either because they are malicious or unthinking, take a particular pride in running down this state, and increasing the benefits of other states. But I have found in my travels that whenever I come back to the State of Washington, with all its taxes, I am just a little better off than the people in other states. I was down in one of these southern states recently, and one of my friends said "Here is a man with a ten thousand dollar home, if he lived in your state he would have to pay \$350. in taxes; in this town he pays \$200." That is true, but he forgot to tell me that the ten thousand dollar home which the resident of this partic-

ular town owns and on which he pays \$200 in taxes, in my town can be bought for \$6,000. So that the real difference between them is this: we have a higher tax rate, but very much cheaper ground, and very much cheaper buildings, and I am willing to say that any man that complains of his taxes on a six thousand dollar home, if he will move to the town I have in mind, it will cost him ten thousand dollars. He will then see the difference. I lived in your town for years, and if I went to the bank to borrow \$3,000 on my six thousand dollar home, the banker would turn me down and say "we are not loaning money on real estate", and I went to the other town and told him I wanted to buy a home from the friend of the cashier, and he loaned me \$5,000 to buy a \$9,000 home. So when people talk about low taxes in other states, I like to ask them what basis they are calculating these taxes on. What kind of values. When they are talking about the growth of their town, I often wonder if the growth of their town is going to bring along many of these additional taxes which we have. They are going in for municipal ownership just the same as we have, and when we are through with it, and when we have cleaned house, they will start to go through what we have entered, and I would rather be at the end of a sickness than at the beginning. I for one am going to stick with the State of Washington, and I want to assure you, if any of you are looking for a new location, I have several to sell right in my town, and the man that buys is not going to be soaked. When I was in California I sat looking at the country, and I said to myself "When they have put enough water on it and spent millions of dollars on fertilizer, it will be a fit place to live in". I looked out on the platform and there was another fool sitting next to me, all covered with dust. They talk about the rain we have here; but I can ride from one end of this Pacific Coast, from British Columbia clear through Oregon till I get over the mountains into California, and if it rains on the platform, I can stay there, because the rain lays the dust and makes everything fresh and beautiful; but when I get past the mountains, away south, I get covered with dust, and I would rather have good clean water flow down on me than a lot of dirty, alkali dust (laughter and applause). Talk about our taxes driving our people away! Taxes are not the only thing. That is not the only thing that makes a state. Our state has not any bonded indebtedness. Go and tell the people whose roads are broken up with the high powered touring cars, that in your state, these roads are paid for. When they show you their school houses, ask them when they are going to pay their bonds. When they show you their capital building, which is about to fall down under the weight of bonded indebtedness, tell them we are putting up the

most beautiful buildings in the United States, and we are paying for them out of the money the government gave us. When they talk about their educational institutions, tell them we have five hundred million dollars worth of lumber to take care of our educational institutions of the future; and ask them then if our taxes are so wrong in our state.

I do not want anyone to think that we must not fight for lower taxes. I think every citizen in the State of Washington will always remember the sterling words spoken by Professor Bissett, and keep on fighting for everything that is necessary to the welfare of our country; but let us bear in mind that we must stop knocking our own state, and praising things far off. Don't let us complain every time it rains. Let us remember that the rain is going to furnish us with electric power next summer, and in some parts of the country they are praying for rain, and have nothing with which to drive the electrical power-plants. We waste more water in the City of Seattle than in any other city in the state. We can afford to waste it. We are a wasteful state in everything, not only in taxes; but fortunately we can afford to waste and still get along. They tell me about some other town, but there are not more people out of work in our cities than in these other cities. Every man that wants to work in our cities can find work to do. If banks do not loan as much money on real estate as they did before, maybe that is good for us, because we can all own a piece of real estate then, instead of having speculators to handle it so that only the very wealthy can own it, I would like to see a movement in our state which would help us to forget all about our taxes—I would like to see the time come when our bankers will tell every citizen that it is the duty of every citizen to own a piece of real estate in his town. Then your propagandist would not find a field for his propaganda in our state. Don't let us get prices too high. Let us keep prices where they are, so that every man can acquire it, and when that time comes we will have no trouble with taxes. The average citizen will not vote. We just had an election in the City of Seattle, and 25,000 people voted out of an electorate of 100,000; and out of those 25,000 who voted, how many were on the pay roll. If all the people on the public payroll, Federal, State, County, City and School Board voted at that election, they could elect anyone they wanted, irrespective of what all the taxpayers thought. In other words the public employees can control any election, because the people are too thoughtless to move. If we all took a proper interest in politics, our taxes would be where they belong; we would then be able to talk of all the taxes we pay, and all the advantages that we possess. Do not let the impression get out that this is the

one state with high taxes. Let us rather say taxes are high as in every other American state. We must pay for democracy. Maybe one of the penalties of free Government is that we pay a little more than it is worth. We would rather have a democracy than any other form of government devised, and we are going to continue with democratic government, but we are going to improve it by making every man take his proper place in it, and do his share, and when that time comes this question of taxation will be forgotten. One of the evils of municipal ownership and indeed the greatest evil is not the question of costs, or of squandering money, but the fact that it puts so many people on the public payroll, and that eventually these people will control our government. That I believe is the greatest evil. I want to assure you again that I am not belittling our tax burden. We must all work to put it down. But let us remember that we are better off than other states. If our taxes are high tomorrow, they will probably be lower later on, because we have no state bonds. If every section of our state will work in unison, if the east side will not be jealous of the west side, and if the farmer will not be down on the banker, and the banker will have confidence in the merchant, and if we all trust each other, and if we will allow good will and confidence to take the place of ill will, we will all be proud to be called citizens of the greatest state in the Union,—the STATE OF WASHINGTON (Loud applause).

REPORT OF EXECUTIVE COUNCIL

By **J. K. McCornack**

Chairman

The Executive Council held a meeting at The National Bank of Tacoma in Tacoma, on November 20, 1922.

At this meeting, in accordance with directions of the Association at the last annual convention a revised schedule of dues was adopted, based upon capital, surplus and undivided profits.

This schedule was as follows:

Over 1 million	-----	\$100.00
500,000 to 1,000,000	-----	85.00
300,000 to 500,000	-----	75.00
200,000 to 300,000	-----	65.00
100,000 to 200,000	-----	40.00
50,000 to 100,000	-----	25.00
25,000 to 50,000	-----	15.00
Under 25,000	-----	10.00

Mutual Savings Banks \$10.00 to \$100.00, based upon guaranty fund; and branch banks \$10.00 each. Taking into consideration the \$5.00 special assessment levied last year on all banks for protective work this makes an increase varying from nothing in case of banks under \$25,000 to \$45.00 in case of banks over 1 million.

At the same meeting the Executive Council in recognition of the sentiment prevailing in the Association adopted a resolution limiting the right of representation at our conventions. The constitution provides that each member shall be entitled to one voting delegate and the resolution was not intended to interfere with the provision of the constitution, but to regulate the number of delegates from each bank who were entitled to participate in the entertainment features of the convention. To illustrate the extent to which the hospitalities of the entertaining cities have been imposed on in previous years—It appears from the record that at a recent convention one member paying annual dues of five dollars per year sent seven persons to be entertained. As the per capita expense of entertainment at that convention was between \$6.00 and \$7.00 it seemed like an abuse of the privilege.

The Executive Council decided to fix the number of delegates who would be entertained on the basis of one for each \$25.00, or less, of annual dues paid, and one for each \$25.00 or fraction of additional dues paid, and one delegate for associate members—each delegate being entitled to the privilege of one accompanying lady. For registrations in addition and for non-members a small registration fee is required to pay in part for the cost of their own entertainment.

The second meeting of the Executive Council was held at Tacoma on December 16, 1922.

At this meeting there were present the members of the Legislative Committee and after careful consideration of the problems it was voted to oppose legislation during the next session based upon the California Bank Act and to take all fair measures possible to insure the defeat of any legislation designed to establish branch banking in the State of Washington and all guarantee laws, and the Secretary was instructed to appeal to the membership for voluntary contributions to carry on the expense of the work of the Association at Olympia.

The matter of holding the annual convention was taken up at both meetings. None of the cities in Washington having expressed any desire to entertain the convention for 1923 several plans were presented and strongly urged—among others that of holding the convention on a boat and touring around the Sound for three days—and that of holding the convention on a steamer enroute for Alaska.

The Secretary having been instructed to investigate the feasibility of the various recommendations reported that the boat trip was impractical for the reason that no boat of sufficient size in Sound waters was available, and that the Alaska trip was impractical for the reason that the largest boat available would accommodate only 165 persons, about one-half of our usual registration, and that the shortest trip would consume twelve days.

It was voted to hold the convention at Victoria and the president and secretary were instructed to make the arrangements therefor. In going outside the State the Executive Council, contrary to opinion in some quarters, was not establishing a precedent. The Tenth Annual Convention of the Association was held at Portland, Oregon. This year the States of New York, Pennsylvania, Maryland and New Jersey hold separate conventions at Atlantic City and the Associations of Michigan and Ohio will hold their conventions on steamers while accomplishing a circle tour of the Great Lakes.

I feel that a fairer and more equitable schedule of dues could be devised, and that a method of assessing dues upon the basis of the amount of business done, as represented by footings at a given date would be more equitable than that of basing the dues upon capital, surplus and profits. As an illustration of the way the system of assessment upon capital assets works out, attention is called to the case of one country bank in Eastern Washington having a capital, surplus and profits of \$224,000 and deposits of \$1,100,000. Under the present schedule this bank's quota is \$65.00, while a city bank having deposits of 18 million pays only \$35.00 more. The first bank pays approximately two-thirds as much as the bank doing sixteen times the amount of business.

To the appeal for funds for legislative work which the Executive Council directed to be made, out of a total of nearly 400 members of the Association, only 146 responded. I am of the opinion that the Executive Council should be directed to revise the schedule of dues, basing the assessment on the ability of the several banks to contribute, as determined upon deposits, and that they should be so fixed as to avoid the necessity of asking for voluntary contributions to carry on work that is essential to the welfare of the banks of the state as a whole. The present method throws too much of the burden upon the smaller banks inclined to be generous in the support of the Association.

APPLIED ECONOMICS**By Dr. Arthur Frederick Sheldon**

Mr. President and friends:

To speak on the subject of economics to a body of bankers would seem like bringing coal from Newcastle, but I shall approach the subject unafraid, for I have found after long experience that the receptivity of the mind to any subject is in direct proportion to its familiarity with that subject.

It has been the practice since the days of John Stuart Mill to define economics as a science—the science of getting, the science of getting a living. I think the very latest book written on this subject, written by a professor in a great university, has so defined it. I challenge that statement, and venture a new one: that the beginning of sound economics is not getting, but giving; that the science of getting, when we get down to ultimates, is the science of giving, because the giving precedes the getting. The science of getting a living is the science of giving a life—a life of usefulness, of service. I wish that the railroad workers in the world understood that today. I was traveling not long ago, and the train stopped, and on the opposite tracks was a body a men—section men. They had motion studied down to a fine point. They could make fewer motions in an hour and still keep going than any body of men I ever saw. They had their eye on getting big wages, and giving little service. That tendency carried far enough will ruin civilization, if it is not checked. In discussing this subject of applied economics, I would challenge your attention to this fact. Man power is cause; equipment—wise use of equipment, quality, quantity and economy production and profit, are all effect. Take care of causes, and effects will take care of themselves. Then to this statement I challenge your attention: The life of a bank, the life of any institution in the industrial or commercial world, or agricultural world, or any form of human business, the life of the individual, and that greatest institution known, the life of the state, is governed by law, and not by luck. Any man made law not in harmony with natural law is destined to one of two things: either to be repealed, or to be ignored. The shores of history are strewn with the wrecks of nations which have committed suicide, by the disregard of natural law. In a sense, man makes no law. Law is; and the best that our man makers of law can do is to seek to discern what the natural thing is, and put it in language that we can understand and are expected to obey.

There are many laws of success, laws of successful human activity; but as the human engineer sees it, there is only one basic

law. There are many tributary laws, but there are four primary laws, but there is only one basic law. There is only one reason why any of us in this room, why any citizen of Seattle or any other city has any right to take up any room on this planet, and that is by reason of his or her usefulness or service to society. The money we make as individuals or institutions is the pay we get for the service we render. The service-rendered or usefulness is the cause, and the money and all other forms of profit, are the effect. I would that all employees in the world could see that fact, and that all employers could. When that blessed day comes, there will not be as many as there are today in industry and commerce that tend to tire themselves or ruin their eyesight looking for more pay. There was a fool who went home and found the house cold. He went down into the basement and talked to the furnace, and said, "Give me some more heat, and I will give you some more coal", and the poor fool froze to death. That is the fix many people are going to find themselves in if they do not watch out. A man applied for a job, and he said, "How much are you going to give me?" and the boss said, "I will give you as much as you are worth", and he said, "No, you won't, I am getting more than that now." Another man said, "I am earning my salary now, and I be darned if I will do any more." Another man said, "This theory of service is all right to others, but I am going to get mine first". I say, "But I don't see you climbing the tree of success very fast". He says, "I have always had a soft job." That man cannot win until he changes his method of life. Little fire, little heat; more fire, more heat, is a fact that no person will claim is high brow stuff. Little service, little deserved reward; greater service, greater deserved reward. This second set of facts is just as much true as those. On the other hand, there are many employers that do not see this law. Thus human engineering maintains an application of this natural principle in nature, from employer to employee, and about five per cent of the people of the world employ the other ninety-five per cent. From employee to employer, and together, as a united team, to the big boss, who is the buyer. When he quits, both are out of a job. Putting the application of this principle from each to the other and together, is the path to peace and power and plenty for everybody.

But, gentlemen, the five per cent as well as the ninety-five per cent, have got to get in touch with this natural law, and step with it, before we are going to have economic balance and financial equilibrium. There are several things essential in order to make the law of service a natural law—I mean the law of economics. Before stating these several things I want to give an illustration

that I think will serve to make plain the fact that service to the other fellow is the law of life, the law of attraction, of reward. If I let go of that book it is natural it will gravitate to earth in obedience to the physical law. But that is no more natural than that trade in the business line should gravitate to those institutions which serve the world best with their particular product or service. I wish all employers would hear and heed that. That is no more natural than it is for the right employee to gravitate to a position of responsibility, where he will have control over labor; and it is no more natural than it is for the fat pay envelope to gravitate to those individuals in the organization who serve the house best. There is no sickly sentimentality about service. Properly understood, it is a sound law of economics. If the individual employer wants to make this sound law grow and develop, there must be an honest-to-God desire to be of service; which is sadly lacking in the world today.

Second, to really render service: When the desire is present in the normal human, the capacity can be increased. I have known men and women who had a desire to serve, and made excuses for themselves because of lack of capacity. But, if there is a real desire, the capacity can be developed.

Third, the collection of a just reward for the service rendered: That is where many storekeepers fall down. Not knowing their costs, they do not collect the just reward for the service they render in the distribution of goods. Their price is not right, and finally they go broke. They are falling down on the third essential, in that they fail to charge a just reward for the service rendered, and collect it.

Fourth,—where we Americans as a rule fall down is in the conservation of the collected reward. We waste everything. Man is the highest order of creation, and in the successful institution does reflect nature's laws. America is noted for its extravagance. Millions of employees waste four things: Time, energy, material and money, and then blame God, our government, or their ill-luck, —anything but themselves for falling broken on the pavement of life, "But the fault, dear Brutus, is not in our stars, but in ourselves".

Great as our resources are in this greatest nation in the world, as things are going now, ultimately, only five per cent of the employers succeed, and about five per cent of the employees. About ninety-five per cent fail ultimately, where five per cent succeed. I do not vouch for the accuracy of these statistics, but they are compiled by great insurance companies, and they are in all probability nearly enough correct. They are approximately correct, and they

teach a great lesson. Take one hundred men, each twenty-five years of age, and healthful enough to get insurance, follow their lives, forty years, when they would be sixty-five, if they all lived, which they do not, and statistics which are measurably correct show this, that fifty-four are dead broke, dependent on their children or relatives; thirty-six dead; five still working hard for a living, and would be broke if out of work for a week; four have a small accumulation, enough to be comfortable, and one out of the bunch is rich. Four and one is five; and the other covers ninety-five. Among other things that condition is the result of our seething sea of unrest that threatens the destruction of civilization. Call me an alarmist, if you will. Someone has to be brave enough to tell the truth. I was in Germany just before the war. My family resided in Dresden just before the war for a year. I heard the Germans drink the toast to "Der Tag", and heard them declare that they were going to put over the military policy, and force German "kultur" on the world. Lord Roberts was going throughout England doing his best to wake up his country, but England said "We will get through somehow." France was not awake. They were honey-combing the world with spies and knew just what they were going to do. I saw their armies moving with the rhythm of fine intelligence. I read the philosophy of Nietzsche. I heard them sing their songs, and they didn't sell me. I came away a fool pacifist, and thought it didn't amount to anything. But all their propaganda was not the beginning of the propaganda that is being circulated in all parts of the world today, including America, which belongs to that school of political thought which can be included in the one word, collectivism. That takes in everything from socialism to Russian bolshevism, or Sovietism; which says that the State is everything, and the individual is nothing. That if you and I live under the philosophy of collectivism, and you produce or create ten times as much as I do, it makes no difference: it all goes into the common pot. There is one thing I want to call attention to, and which was mentioned in the splendid address we have listened to, namely, that we are not a democracy, but we are a republic. There is a big difference between a democracy and a republic. There is a lot of loose language used concerning democracy. A pure democracy never lived, and never will, and we are drifting away from the ideals of our forefathers as embodied in the Constitution, and more and more on to the rocks of democracy. A republic is not a democracy. They grant to each individual in a republic enough of liberty, all that any individual should have, but not too much. There is a golden mean in all things, including government. The fruit gradually gets ripe, and the same process

goes further, and it gets rotten; and the same thing is true of liberty, which ripens into license—license to malign.

There are two schools of political thought, individualism versus collectivism, and I think it is time that bankers educated their clients as to the difference between the two schools. There are varying shades of collectivism. Every time we go to introduce municipal ownership we are tending towards collectivism. Every time we endorse referendum and recall, we are asking for more rewards, rights, privileges and prerogatives. But how often do you hear them saying, let us increase our duties, responsibilities and obligations? Not very often. Every time we go further and further, so far as the masses are concerned, and the two classes of interests are mutual. Just so much as the yellow journals and loud mouthed politicians ask you to "vote for me, and I will get you more of them", we are heading government away from freedom. We are supposed to stop at the golden mean of government, which is the republic. All this empty scramble for more and more is driving us into the mire of a tendency to pure democracy, which is the over ripe fruit of republicanism, and ends in chaos every time. Let us beware of collectivism in all its forms. They put it over in Russia. I have heard many business men say it will soon burn itself out. I know this, that there are tons, and I am not exaggerating—tons of literature being distributed throughout this nation today, being left on the doorstep of employees, who are sound at heart, that will almost sell anyone unless he is a trained logician, that the Soviet Government is the highest form of democracy. These men go back to work next morning with their hearts burning with hate towards capital and capitalism and with their morale lessened, and morale is the mother of quality, quantity and economic production. Yet I find the attitude of the average business man's mind, quite innocent and credulous towards this danger, very much akin to the mental attitude of myself, and the average Englishman, Frenchman and American before that awful scourge of determination and militarism broke loose. Organized evil is stronger than unorganized good. Let those who stand for three things beware: those three things are PROPERTY RIGHTS, ORGANIZED GOVERNMENT in its present form, and RELIGION. Let us beware; and if we would not have our rights and privileges and our prerogatives taken from us, let us heed the advice given to us and attend to our political duties. You can bet your life that the large percentage of those that did vote in that relatively small percentage of votes that were cast that was referred to, are tending towards collectivism. Those individuals that are falling down in their duties when they fail to exercise the

franchise, are doing nothing more than helping to bring on catastrophe. If we are going to get down to applied economics, we must attend to our political duties. Attending to our political duties is not just a right, but it is a duty, and in fact, all rights flow from the fulfilment of duties. Let anyone fall down in the fulfilment of his duty, and pretty soon he will have no rights. It is our duty to attend to this and be posted, and try to stop the drift. I fairly believe we are going to get better, but I do believe and I know it—it is not a belief—I KNOW that life is a ledger; and please mark my language carefully, that I didn't say it was like one. Your life IS a ledger. The life of that bank of yours is a ledger. My life is a ledger; the life of every institution is a ledger. On one side it is marked "DUTIES, RESPONSIBILITIES and OBLIGATIONS", and on the other "REWARDS, RIGHTS, PRIVILEGES AND PREROGATIVES." What is wrong with the world today? Why all this boiling, bubbling turmoil and trouble in the world of industry? It is because so many millions are trying to get more REWARDS, RIGHTS, PRIVILEGES and PREROGATIVES, instead of trying to fulfil the cause of Rights, Privileges and Prerogatives. There is no such thing as Rights, Privileges and Prerogatives except as effects flowing from the fulfilment of duties. Let any bank fulfil one hundred per cent of its Duties, Responsibilities and Obligations to all its patrons, and let all the banks do that, and the banks need not worry about their Rights, Privileges and Prerogatives. Let all the employees in your banks fulfil all of their duties, responsibilities and obligations? No. Let business as a whole fulfil its duties, responsibilities and obligations to their employees and public, and we need not worry about property rights and organized government. But are we doing that? We all know what a mirage is. It is when we think we are going to get a drink and we are not. But that is a fact. You get where they are, and they are not there,—Unless we have consciously or unconsciously fulfilled the causes of it. If we take care of the causes, the Duties, Responsibilities and Obligations, the Rights, Privileges and Prerogatives will take care of themselves. The Rewards, Rights, Privileges and Prerogatives are the grist, the fulfilment of the Duties, Responsibilities and Obligations. No human being can have and hold, procure and secure, or possess Rights, Privileges and Prerogatives unless he consciously or unconsciously fulfils his natural Duties, Responsibilities and Obligations. You gentlemen know very much better than I do whether the banks are doing that or not. I meet a great many who say that they are. Personally I have always felt that they were wrong. I have felt that if all the banks in the State of Washington, or any other state, could close

their doors tonight through necessity or choice, that millions who are now preaching against our banks would be glad to see them come back; and if they did that, we who are not in the banking business would wake up to the fact that we, the people, had lost what?—a money maker? No; but a GREAT SERVANT, and we would be willing to pay him for the service that has been rendered, if he would come back.

I would fall down in the fulfilment of the application of this principle of nature, the principle of service for man, as a speaker to you, if I sat down after explaining how the human engineer sees this question—what are the elements entering into service? Before stating the analysis of service, I want to draw on the blackboard of the mind one diagram. In teaching human engineering we draw many diagrams. There is one I would draw on the tablet of memory today. Then I will give the analysis of service. There are four physical facts to which I now call your attention that I don't think anyone would say is high brow stuff. Underneath this building, we know there is a foundation. We know that if they had erected this building without first building a foundation, the building would not have been permanent. We know that the foundation must be laid on hard pan. We know there is one thing and only one thing that holds it up, and that is the earth. We know that an earthquake, if it is big enough, will destroy the building. Everybody knows those are facts. Underneath every human relationship, whether between a bank and its patrons, or between banker and employees, between husband and wife, between nations, any human relationship to be permanent has got to have a foundation under it. You cannot see it, like you can go out here and see the bricks and mortar or stone that constitutes the foundation of this building. But it is there, if the relationship is permanent. There is only one kind of stuff out of which it can be built, and the name of that is CONFIDENCE. That is one thing I liked about that address by Mr. Eckstein. That gentleman's plea was for greater faith and trust in ourselves. Without that there can be no harmonious and proper relationship. It is scientifically correct. What is underneath this foundation? This foundation cannot be built on the surface of the land, and neither can the foundation of confidence be built on the surface. Satisfaction is the supporting power of confidence, just as the bedrock is the supporting power of the foundation here. There is one thing that will hold it up. There is no substitute for the earth to hold up this building; there is no substitute for the principle of service as governing the law of life, to hold up satisfaction and confidence in the other fellow. What is the earthquake over here? One big earthquake

will smash this building and this structure, but no more certainly than one big mistake, one big error, of which there are only two kinds, omission and commission, will smash to smithereens satisfaction and confidence. Let a lot of little errors be persisted in, and these will gradually disintegrate satisfaction and confidence.

I wish all employers could see this set of facts, and see them as clearly as they do so many smaller facts. Any time you or anyone else omits doing something for the other fellow that we could do, we are building a less finer service than we could have.

I am not talking about the fulfilment of duties and obligations and responsibilities from the standpoint that if we don't do right we will go to hell when we die, but I say we do not have to wait to die to get there. There is plenty of hell on earth for the fellow that does wrong. I am a churchman, and I do not believe this is the end of the journey; but I think it is high time that the world came to see that anything that is wrong, morally or spiritually is unsound economics. We have got to be good to make good; and I am just talking of making good. When will business men wake up to the fact that honesty is not a policy, it is a law—a law of nature. When we wake up, and when employees wake up to the fact that loyalty to the employer is not a policy, it is a law; when we all wake up to the fact that such SERVICE is not a policy, but a principle, and as a principle it is a primary law to which all other laws are related, then we are going to get somewhere in the matter of applied economics.

Now as to the relation of service, and then I shall have finished. There are three elements in sugar—only three. There are two elements in water. We all know what they are. It is a logical absurdity and impossibility to get sugar without carbon, hydrogen and oxygen; but not more absurd than it is to get service that attracts reward and assists satisfaction, if we leave out Quality and Quantity and Mode. Over in Spokane, and many now in Tacoma, and a great many in Portland call me the “Q. Q. M.” man. The reason for it is that in these communities we have had the honor of holding business science classes. It is hard to find anyone that doesn't know that Q plus Q plus M, is as “One plus one, equals service”. What does that mean? Apply it to the argument. The argument is for both manufacturer and salesman; but most of them don't know it. He is manufacturing and selling SUGAR—the sugar of service. It requires three elements in that sugar to make it worth very much. Millions of so-called working people, that is those who work with their hands, instead of their heads—we can all work with heart, hand and head to make the sugar right. The working people throughout the world while they

try to build less fire and get more heat are controverting one of nature's basic laws. They think they are selling time, when they are not. They are laboring under a false belief. They are selling the sugar of service, and they cannot make the sugar of service that attracts rewards, if they leave out the "Q. Q. M." This side is quantity, that means "How much". Neither you, I, nor anybody else that works for a living, can manufacture service who ties himself down and sees how little he can do. Bring the thing back where it starts from, and you are signalling the word MODE of CONDUCT. But the three are right. Service is right, and we are fulfilling the law of nature by building up fine service. The reward for service is one of nature's laws. Then the law of service becomes an economic law, and we are getting down to the science of applied economics. I might have the desire or capacity to serve, and yet not know how to apply that capacity and build fine service. I might collect the just reward of the service rendered, and then fall on the pavement of life if I fail in securing the payment of reward. But he who desires to serve increases his capacity to serve and applies that capacity collects the honest reward for the service rendered. Every employee, that is honest, wants to give that to the employer. Then by conserving energy, material and money, will come success. I had a bookkeeper once that was great in quality, but shy in quantity. Another was great in quantity, but poor in quality. Along about eleven o'clock at night he was a "free American Citizen". One of his favorite expressions was, "It is no business of yours what I do after hours". That was true, but I have a perfect right not to buy any more of that kind of sugar if I don't want to. Another was a splendid bookkeeper. Just before we wanted to raise him, we were missing postage stamps. Smart in one way, but his Mode of Conduct was wrong, and the bottom fell out of his job. We must not only look to the quality and quantity, but look well to our mode of conduct. I cannot talk being good without making good. This is a fixed principle of nature. You and I did not have anything to do with it. None of our employees had anything to do with it, as Newton had nothing to do with the law of gravitation. It is a natural law. Ultimately, enough men transgressing the law can destroy civilization, as it did in Russia. It is so fixed that it applies to all the principles of nature.

I gave this talk to a body of men in which there was a dairyman who had some fine Guernsey cattle. As I went up to the stable next morning, he said, "Do you think that that 'Q.Q.M.' thing of yours would apply to cows?" and as I went up there he showed me how "Q. Q. M." applies to cattle. He said "There is the quality cow,

but she shows shy on the milk. There is another one here, the quantity is good, but it is not rich enough. There is one here, the quality is good and the quantity is good, and she gives rich milk, but he says her mode of conduct is rotten." He said, "she kicks the bucket over; she is raising hell all the time, and I am going to get rid of her. But there is one that the quality is good, and she gives quantity, and her mode of conduct is good, and I wouldn't take a thousand dollars for her." What a blessed thing it is to be a human being instead of a cow. The cow knows the law of nature, but does not know that it knows anything. Man knows, and can come to know that he knows. God is sleeping in the stone. Consciousness is there, but it is asleep. Man whom God gave dominion over the three kingdoms, with his awakened consciousness can know, and know that he knows, and know his relationship to the infinite, and he, unlike any animal, even the Ape his alleged progenitor, can discern the natural law of things and bring his life into harmony with God's eternal laws.

I say it, without apology, if we would become great bankers, if we would become great merchants—I am making no plea for any one religion—to the human engineer all religion looks alike to him, be he Jew or Gentile,—you cannot escape the existence of the first cause from which all came, and let us see this, that all laws, physical, mental and spiritual are infinite laws. That you and I did not make them, and we cannot break them; neither can men or nations defeat God's laws. His hand is at the helm, and always will be. (Loud applause).

SATURDAY, JUNE 1

Morning Session

REPORT OF EDUCATIONAL COMMITTEE

By J. W. Bradley

Chairman

To the President and Members of the Washington Bankers' Association:

President Jackson, under date of July 20, 1922, appointed an Educational Committee, consisting of three members. Such a committee had not previously been active and no definite program seemed to be outlined for it to follow. However, as it was clearly the intention of our Association to co-operate with and follow the plan of the Committee on Public Education of the American Bankers Association, your Committee immediately communicate^d

with the Chairman, Mr. John H. Puelicher of Milwaukee, and it is largely due to the suggestions and assistance of Mr. Puelicher, as well as of Mr. E. H. Sensenich of Portland, a member of the National Committee, that we are in position to make anything in the nature of a report at this time. We are also indebted to Mr. John N. Edlefsen of Portland, Chairman of the Oregon Educational Committee, and to Mr. Andrew Miller, Field Secretary of the Oregon Bankers Association, for much valuable advice. Our sister Association in Oregon started the work aggressively during the year 1921 so that it is about a year ahead of us in this very worthy activity.

Your Committee wishes at the outset to emphatically endorse the movement tending to enlighten the general public as to the real meaning of banking, its fundamentals and principles, or in brief to bring about a better understanding between the public and the banker. There is undoubtedly too much mystery in the public mind as to the banking business. This may be hard for us, as bankers, to believe or understand. It is a fact, however, that matters, which to us as experienced bankers seem simple, are only vaguely understood by even our customers. When we stop to think that of the total rank and file of the people only a comparatively small percentage are bank depositors and that they even have very little knowledge of the true functions of banking, what can we expect of the multitudes who never enter a bank? It is human nature to distrust that which we do not understand; consequently it is easy for the radical and the demagogue to make political capital out of this ignorance of the public as to banking and arouse prejudice toward it.

Thinking bankers for some years have watched with concern this development and have studied methods of counteracting it. The American Bankers Association a few years ago began a study of the situation and through its Committee on Public Education has evolved a plan whereby the banker himself, in his own community, will take the lead in helping to bring the public to a better understanding of his business. No other agency seems as well qualified and certainly nobody else is more interested in seeing that the work be undertaken. The plan as outlined contemplates that the banker in each community will have sufficient influence to secure for him an invitation to deliver a series of practical talks on banking and elementary economics in the schools. For this purpose it was thought best to only include the high schools, colleges or normal schools and seventh and eighth grades of the grammar schools.

In order to facilitate the work for the banker and make uniform

the course of lectures, the Committee on Public Education prepared a comprehensive outline of nine talks covering the fundamentals of economics, finance and the relations of the bank to the community. In addition to the outline, actual lectures were prepared for the banker who would prefer to use such lectures, but it was recommended that only the outline be used and that the banker use his own words in adapting his talks to the local situation, and illustrate his points from actual experiences. It is also recommended that the talks be spread over the school year at the rate of about one each month, if preferred, one each two weeks during a semester. It has been found beneficial, and it is recommended that the banker, sometime during the course, invite the class to visit his bank at a convenient hour when he can show the students behind the scenes and explain the forms and methods used in the practical operations of the bank. This has a two-fold benefit. The student learns at first hand, in the most impressive way, something of the actual workings of a bank. Of value also to the banker is the opportunity afforded of cultivating the acquaintance and confidence of these young people who will soon be using the services of a bank themselves.

As the work was new in the State of Washington last year, and as the members of your Committee were not in position to carry it on, except through correspondence, only a comparatively few localities accomplished appreciable results. This was partly due to the fact that the office at Association headquarters, because of a revision of the text matter, was unable to supply the lecture outlines until about the month of November, two months after the school year had started. It took a little more time to affect distribution, so that by the time the bankers had their outlines, some of them had lost enthusiasm or were so busy that they delayed starting the work until after the holidays. Other obstacles were encountered by some so that, as stated above, only a comparatively few communities really carried out the program as hoped for. Of the larger communities, we wish to give particular credit to the City of Tacoma. In that City the work was intrusted to the local chapter of the American Institute of Banking with the co-operation of a clearing house committee. It so happened that the chapter had recently completed a course in public speaking and some thirty young bank officers and senior clerks were ready and glad to take up this form of activity. Permission was secured from the school authorities and the complete course of nine lectures was delivered before the students of thirty different schools including the high schools, senior grade schools and parochial or private schools. In Spokane some half dozen of the lectures were delivered in each

of the two leading high schools. In Seattle, due to some opposition on the part of the School Board, the lectures were not admitted this year. The Committee was assured, however, that in both Seattle and Spokane the full course of talks will be given, not only in the high schools but in the grade schools during the coming year.

Outside of these three cities the promotion of this work was carried on through the group organizations. Each group president appointed county chairmen who were responsible for organizing and pushing the work in their respective counties. Unfortunately a number of such county chairmen did not fully appreciate the importance of the work and did not get it started during the past year. In several counties, however, most excellent work was done. To Mr. R. H. Macartney, President of Group Two and Vice-President of this Association, is perhaps due the most credit for promoting the activity in his district. Whitman County, Lincoln County, Stevens County, Spokane County and Columbia County did some good work, while individual bankers in several of the other counties made a good showing in their local communities. Group Five took up the work rather late in the season, but a good showing was made in Ellensburg, Yakima and some of the smaller communities of that district. In Groups Three and Four only a few individual bankers showed an interest in the work and delivered some of the lectures before the school students. As nearly as the Committee can ascertain, about 12,000 students in all had the benefit of these practical instructions in banking during the year just closed. This is undoubtedly a fair showing for our first season of activity, but at least three times that many students should have been reached.

In addition to using the talks before student bodies, they are found to be popular and instructive before commercial bodies, Parent-Teacher Associations, Rotary and Kiwanis Clubs and similar organizations. Any banker through the aid of the outlines furnished him can quickly and easily prepare a most instructive talk which even the business men of his community can profit from and which all are glad to hear. One banker in the State, Mr. S. Z. Varnes of Dayton, when he encountered some opposition to the lectures on the part of the School Board, made arrangements with the local newspaper to run the series of lectures in the nature of instructive articles on banking over his signature. This method proved very effective and aroused much interest in the community. All bankers are most welcome to utilize the outlines in preparing such articles for publication. It is our observation that the public is glad and willing to give a hearing to the banker and to learn from him something more about the nature of his business

and the service he is performing in the community. School authorities have in nearly all cases shown splendid co-operation and a willingness to further the work in any way that they can. At a convention of county superintendents held at Olympia on the 4th of May, the Chairman of your Committee was invited to explain the plan of the Committee on Public Education, A. B. A., and at that time received the hearty assurances of the county superintendents of their support. The State Superintendent of Public Instruction also approved the plan as outlined and promised co-operation. We are sure that the bankers who will take the matter up early enough in the season with their local school authorities will experience no difficulty in securing their assistance.

Your Committee feels that this activity should be a continuing work of the Association. We do not believe that our members can engage in a more constructive undertaking. We realize, however, that the success of the plan depends upon the help of each individual banker and to this end we urge upon our members that they not only give the Committee their moral support, but that they actually take steps to carry on a part of the work personally in their local community. We can say that without exception every banker who has participated is satisfied as to the value of the work and, furthermore, has enjoyed the experience. A man does not need to be an orator to help in this activity—in fact oratory is not desirable. It is the plain, matter-of-fact, heart-to-heart talk from the banker on subjects about which he is well informed that accomplishes the best results. Every banker in the State is fitted to assist and we urgently ask that he make it a part of his program for the coming year.

Your Committee feels that there is possibly a little lost motion in working through the group organizations and, therefore, recommends that the Educational Committee in organizing the work next year do so directly through county chairmen and county associations, where such associations are organized. It is also recommended, in cities where there are chapters of the A. I. B., that such chapters be requested to participate in the work. We appreciate the opportunity that has been given us of helping to get this educational program started during the past year and we earnestly solicit the support of every member in the Association for the Committee in charge of the work next year.

ADDRESS**By Prof. D. H. Otis****Director of Agriculture of the American Bankers Association**

Mr. Chairman, Ladies and Gentlemen:

Not long ago I was asked to address a farmers meeting, and during the address I noticed in the front row three boys. They seemed to be very much interested. After the address was over, they came up and began to ask questions. I had to stop them for fear of interrupting the rest of the programme, but told them that after the meeting I would be glad to answer all the questions I could. After the meeting they came to me and said, "I wish you would come out to our farm tonight". I told them I couldn't do that as I had another engagement for the next day. Just then, their father came up and insisted that I go, and explained how it would be possible for me to make the other connection and still visit the farm. So I went. We sat on the front porch talking over a number of things, and all at once, quick as a flash, those boys jumped up and went at their chores. That was remarkable to me. I said to this man, "How is it possible, when you are having an interesting discussion, that those boys jump up like that to attend to their chores; it is not customary for boys to be so prompt without being told". He says, "I tell you, those boys are not my boys; they are adopted. When they come here to the farm we give each one of them something to work with: chickens, a pig, a calf or a colt;" he says, "We are charging them up with the feed, and when the animals are sold, they get the money. "Now," he says. "when the boys have a birthday, or when the 4th of July comes around, or when there is a farmer's meeting on in the community, we hurry up the work, and we go and celebrate, but in the meantime we are expected to work, and we work hard." He says, "Once in a while I had to give these boys a lesson. The other day it was raining, and I was grinding a sickle, and Johnny came around—Johnny had been worrying the last two or three weeks because his livestock only consisted of a rooster—and he wanted something more than a rooster. So I said to him, 'Johnny, will you trade your rooster for my pig out there in the yard'. He says, 'I will trade', without stopping to consider; so I said, 'Now stop and consider, Johnny, and make sure you want to trade; but if you really want to trade, I will trade that pig for your rooster'. The boy was sure he wanted to make the trade, and he said, 'The rooster is mine and the pig is yours, go and look at your pig', and when he examined the pig, it was dead. The pig had only died a few minutes before. Johnny

felt pretty blue; so his father said to him "You wanted to trade, didn't you?" "Yes", he said, "but I didn't want to trade for a dead pig". "It is fair now, isn't it; I cautioned you before you made the trade?" "Yes, I guess it was fair", but he didn't enthuse over the trade very much. In a day or two, the father said to Johnny, "you may have your rooster back", he said, "but the next time you make a trade you have to be sure that you know what you are trading for", and he says, "You cannot fool Johnny again on a trade". The girls in the family were growing vegetables, selling them, and investing the money in fruit trees. They had picked out a particular variety of trees that they were going to have, and I said to that man in the evening, "Are you making much money on the farm?" He said, "I will tell you; we are not getting immensely rich, but we are having all we want to eat, we are having all we want to wear, and we are enjoying ourselves, and we are liked". The next morning as I went away from the house, I went to say "Goodbye" to the boys, and one boy was chopping wood under the apple tree. I said, "I suppose you will come down to the Agricultural College some day and take a course". Quick as a flash, he pointed to a calf under the tree, he said, "Do you see that calf? I think that calf is going to send me to college." There he was, feeding a calf to get his education. As I went away from that farm, I said to myself, "I wonder how many boys and girls over this land are becoming impressed with the advantages of the farm, and seeing some of the pleasures of the farm as well as the drudgeries of the farm." I said, "How many boys and girls are given an interest in the farm and speak of the farm as 'Our farm'—not 'Dad's farm'."

If we are going to make the farm what it ought to be, we have to give more attention to this boy problem and this girl problem. If you teach those boys and girls progressive farming, you can rest assured there will be no radicalism develop on the farm. If you teach those boys and girls about raising better livestock and seeds, you are going to interest those fathers and mothers in the same thing, no matter how crusty those fathers and mothers may be.

So that we have before us today a wonderful opportunity for developing the farm community through the boys and girls.

The last of April, in New York, we had a meeting of the Western Council of the American Bankers Association. One meeting was devoted to a symposium. We had two demonstrations, one by a canning club of girls, and another by a Calf Club, of boys. Those girls got up on the platform in front of those bankers and introduced themselves. They told us how they got started in that club work, and they called themselves the "Happy Canners", and they were all girls. Those girls showed those bankers how they

selected their material, how they selected their jars and rubbers, and conducted a demonstration in canning apples and chickens. That demonstration was so interesting that not a single banker left the room while it was going on, and when they got through, the President, Mr. Puelicher, stepped up on the platform, and said. "Girls, we have looked all over the United States to get the best speakers that we could obtain for this meeting, but we will give it to you girls as having made the best speech of the session".

Then other bankers came up after the meeting and you could hear them saying, "I hope that my boys will have sense enough to marry girls of that type". Then we went out of doors, as the boys had two calves out there, both about the same age; but one was twice as large as the other, due to selection, better breed and better feeding. Those boys explained to the bankers how it was possible to develop better livestock in their communities; explained how they had developed better livestock in their calf club; and when they got through with that, the bankers said, "Well now, if these calf club boys marry these canning club girls, there will be no more frozen credits in our banks. If we can interest those boys and girls in such work as is indicated here on these charts, we are going to advance not only our financial interests, but we are going to advance the interests of our community, and the interests of our state and our nation".

We have all expressed ourselves as being interested in agriculture in a passive way. I don't suppose there is any banker here but what recognizes the importance of agriculture as a general proposition. But I wonder how many of us really comprehend the significance of this industry and that the prosperity of our community, no matter what it may be, rests in the last analysis upon the industry of agriculture. There is twelve, thirteen, fourteen to fifteen billions of dollars every year coming from the soil, and it is new wealth being brought into the country; and with that thought in mind it behooves all of us to think, and take a more active and aggressive interest in this important subject. You step up to a soda fountain in Seattle and ask the person in charge if he is interested in agriculture. He will tell you, "No, the farmers do not patronize my stand". You ask the stenographer who is sitting at that stand if she is interested in agriculture, and she says, "No, I am working for a lawyer". You ask the lawyer if he is interested in agriculture, and he says "No, my clients are bankers", and you ask the salesman if he is interested in agriculture, and he says "No, I am selling my goods to dealers". You ask the dealers in the East if they are interested in agriculture—"By all means. The people that are buying lumber in the East are farmers, and the others de-

pend upon the farming industry for their success." You will find all along the line, if you analyze the problem, everyone of those men are interested in agriculture.

May I read to you what two or three city bankers have said on this subject. There is a statement from John Puelicher, President of the American Bankers Association, who has a bank in Milwaukee. He says, "Bankers and farmers are interested alike. Banks have ceased to be mere money changing institutions, they are Public Service Stations that expect to pay in service for what they secure in profits. Agriculture at the present time is going through a serious crisis. There are many problems in production, and more and more to be solved. There is a call for a close and sympathetic co-operation not only between bankers and farmers, but between all intelligent citizens in our commonwealth." Mr. Puelicher has got the vision; and as your new President said, in the problems taken up by the American Bankers Association, agriculture is recognized as one of the important ones.

Here is what W. W. Head, Vice-President of the American Bankers Association says: (The man who will be President this coming year). "The farmer, therefore, is the nation's greatest producer of wealth. Farming, banking, production and distribution should go hand in hand. The problems of the farmer and the problems of the banker both are vitally concerned with the bringing about of the proper readjustments of transportation and marketing costs. An increasing tendency towards a more sympathetic understanding of each other's relations to these problems is one of the very encouraging signs of the time, and will result in further advancement of their mutual interest."

The Second Vice-President, a New York banker who has vision, says: "The banker needs the farmer no less than the farmer needs the banker, and each should strive for a sympathetic understanding of the other's problem. Such an understanding will be of lasting benefit to all our people".

I wonder if we all realize that it is necessary to maintain a proper balance between agriculture and industry. Those of you who are acquainted with New England conditions know that in New England they are producing about forty per cent of our industrial products. Do you know what they are doing in the food situation? Their agriculture is declining. Between 1910 and 1920, over a million acres of land has been abandoned in New England. What is the result? New England is spending five hundred millions a year for food. That means a heavy tax upon that section of the country to supply their workers in the industrial enterprises with food. What is the tendency of that sort of thing? You look at

the statistics and you will find there are three spinning wheels being put in the South where there is one being put in New England. Why? Because those people realize that labor is a very important item in the industrial world; and when you come to study the labor problem you will find that the cost of living in New England today is from twenty-five to forty per cent higher than in the Southern or Central Western states. New England has been over industrialized, and has neglected her agricultural development. Today she is suffering for it. She is out of balance, if you please. You go to Michigan, and you will find it is producing shoes and sending their representatives back into old Massachusetts and selling shoes right under the nose of those producing shoes in New England; and able to compete with them, because they have produced their shoes where agriculture is flourishing. Let us study our situation, and find out if we are maintaining a proper balance between agriculture and industry.

In this section where we are producing more food than we are consuming, we can well consider the encouragement of industry; and in those sections where we are not producing sufficient food, we can well encourage agriculture until that proper balance is maintained.

So I take it that we are all interested, whether we are in the lumber section, or whether we are strictly in the industrial section, or whether we are in the agricultural section. We are all interested in this problem of the farmer. Do you realize that the farmer is not yet properly equipped? Do you realize that of the six and a half million farmers, only about ten per cent of them have running water in their houses? Do you realize that only about seven per cent of them have electric light or gas? Only about two per cent of them have tractors, and only about three per cent have trucks. There is a possibility of developing a market there; from twenty to fifty million dollars more than we have at the present time. If we can make agriculture profitable so that they will have something with which to buy, that is worthy our best endeavor. Look at statistics today, and you will find that every dollar or two dollars of increase per acre to the farmer is increasing the business values of this country; and that just as soon as you reduce the income of the farmer one or two dollars per acre, you are decreasing the business values of this country. The farmer purchases an enormous percentage of the products of industry. The railroads receive fifty per cent of their income from the farmer's product. So that anything that affects the prosperity of the farmer is bound to affect the rest of us, no matter in what walk of life we are engaged. If

we are going to make the farm what it ought to be, we have not only to make it profitable, but we have got to make it attractive.

Not long ago there was an investigation—a questionnaire sent out to seven thousand farmer's wives, and they asked this question: "Do you want your daughters to marry farmers?" Ninety-five per cent of them said that they did. The interesting part of it was the reasons given. One of the prominent reasons was that they wanted them to marry an honest man. Then they wanted them to get the great out-of-doors life that we have here—wonderful opportunities such as you have here in this country of getting out of doors and breathing this fresh air, and enjoying themselves. Yet do you know, ladies and gentlemen, the farm home today is not as attractive as it ought to be?

Not long ago I used to have a class of students in Farm Management. We would go out to the best farm that we could find and we would study their system of farm management, and we have confidential information from the farmer in which he would tell us how much capital he had invested, what was his receipts, and sources of his receipts, and his expenses; and we found out how much that farm was making. In the dairy sections of Wisconsin we found the farmers were making one thousand, and two thousand dollars, and in some cases, three thousand dollars, and one four thousand dollars, after paying five per cent interest on investment. I remember one season we got through with our six weeks course and I said to the boys, "Boys, are you convinced that there are real opportunities in farming?" "Yes." "Do you really think you could go on a farm and really make a comfortable living? Are the opportunities there on a par with the opportunities in business, so far as you have seen them?" "Yes." "Are any of you going to be farmers?" "No." "Well," I says, "why?" They didn't want to tell me at first, but I rather pressed the question, because I wanted to know if there was a possibility of their making money on the farm, and getting ahead, and if it was an interesting enough life, why they didn't want to be farmers. "Well," they said, "if you must know, we will tell you." They said, "The girls with whom we are acquainted do not want to marry farmers." That set me thinking, and I wondered, after all, whether one of our big problems was not to make the farm home so attractive that the girls of today would just as soon marry farmers. We need to elevate this profession of agriculture where it will be looked upon as a profession worth while. May I give you one illustration? Not long ago there was a group of educators, State superintendents from the Southern states that came up to the northern part of the United States to visit several of the State institutions of learning.

I remember one Saturday they landed at Madison, Wisconsin, to inspect the University of Wisconsin. We took them through the different parts of the University, and then over to the Agricultural College, and took them through the Primary Department, Agricultural, Engineering, Soil, Dairying, and finally they landed down at the dairy barn, where the President of Animal Husbandry had brought out a few of his good dairy cows. He gave each one of those visitors a square card, and then he went over the square card and pointed out the good points, or the poor points of each of those cows that stood before them. The visitors were very much interested, followed it very closely, and just as we got through there was a man in the audience—that grand old man that perhaps some of you know, ex-Governor Hoard, the one that established the Hoard Dairyman, and they said, "Let us have a few remarks from Governor Hoard." That grand old man stepped up, and he put his hand on top of one of those cows, standing in front of that audience he said, "Ladies and Gentlemen: Whenever I approach a good cow, I do it with a great deal of reverence. The cow has been the foster mother of the world, and we ought to respect her. I have been studying this cow question all my life, and I confess to you that the inside of a cow is the darkest place I ever saw. Did you ever stop to think what that cow is doing? She is taking your grass and grain and hay and grinding them up, and turning out milk and butter fat. You cannot do that with the sausage mill, although you may at times get many mysterious things out of a sausage mill. There is no chemical laboratory that compares with the laboratory of a cow's stomach. Have you ever seen a chemist that could make milk, or butter fat? The cow is doing it. It is a wonderful process, and yet do you realize that once in a while we find people that poke fun at the boys that are taking agriculture, and they speak of the Agricultural College as the cow college. Whenever I run into one of those fellows, I am afraid to turn him loose in a herd of cows, for if I did every cow would turn her head in maternal compassion because of his ignorance. Over on the hill the boys are studying law; you would not advise any young man to enter the law profession that didn't have a good head on him. It takes brains to be a good lawyer. But did you ever stop to think what the farmer is doing as compared with the lawyer? The lawyer is interpreting the laws as made by man, but the farmer is interpreting not law made by man, but the law as made by God Almighty; and it takes a bigger man to interpret the laws of God than it does the laws of man."

I went away from that meeting saying to myself, "I wonder if there is any farmer that feels as if he does not occupy as good a

position, and just as prominent a position in our world affairs as any other man in any other profession."

Oh, it is time for the farmer to hold his head up, and push his shoulders back, and say, "I am a man among men", and let him realize that he has just as important a job as any other individual in the world. When we do that we begin to put new life and new vim into that farmer. Now when we get a vision of this thing, when we realize how closely our interest is closed up with the farm, the sooner shall we learn to pull along together. Mr. Puelicher said, "What can banks do to help in this agricultural game?" We outlined certain things that might be done, and that was submitted to our Agricultural Commission, and they approved of it and said what items the individual banker should take up. What can County bankers take up, and state bankers take up? We suggested different lines of activity, and those are going to be published in the June issue of the Banker-Farmer. I hope every one of you will get copies of that. When we get a vision of the wonderful possibilities that we have, we begin to see things in a different light.

I don't know whether any of you have ever heard of the Kentucky Colonel years ago who had stopped at a certain hotel and ordered two glasses of Mint Julep. When he came next to that hotel, he ordered two glasses again, and the waiter said to him, "Why is it that you always order two glasses when you come here?" He says, "I will tell you: when I drink one glass I feel like a new man, and I get another for him." (Laughter). When we get a vision of the possibilities of this great industry and how we as bankers and business men can co-operate, then we will feel like new men, and we will feel that after all life is going to be worth living.

They tell a story of James Oliver: Near the close of his life his friends got together, and they said, "Mr. Oliver, we want to congratulate you on making such a great success in life, and making so much money". Mr. Oliver rebuked them and said, "Gentlemen, I never tried to make a dollar—never tried to make a dollar. What I tried to do was to make the best plow that could be made, and when I did that, the dollars made themselves." I wish we all could get the vision that it is not simply the dollars that we make, but it is the service rendered to our community, and when we render that service, the dollars take care of themselves. (Applause).

REPORT OF COMMITTEE ON RESOLUTIONS

Your Committee on Resolutions begs leave to present the following:

RESOLVED, That the cordial and unbounded thanks of this Association be conveyed to the citizens of Victoria for the open-handed hospitality extended to this convention; to the officials of the city and to the official representatives of the Crown and the Province for their generous welcome; also to the Press of the City of Victoria for the liberal space devoted to the Conventions deliberation.

The Association's gratitude is expressed to the Victoria Golf Club; the Colwood Golf Club, the Union Club and to the Uplands Golf Club for their extraordinary and homelike hospitality.

RESOLVED, That the gratitude of the Association be expressed to the Bankers of the City of Vancouver for the painstaking care which they have devoted to the members of the Association in rendering their stay in Victoria so delightfully pleasant.

Members of the Association have noted with pleasure the attendance upon this convention of many bankers from the Province of British Columbia and accordingly our appreciation is expressed.

RESOLVED, That this Convention acknowledges its obligation to the Bankers of the Cities of Yakima, Everett, Walla Walla, Bell-ingham, Aberdeen-Hoquiam, Wenatchee, Colfax, Ellensburg, Vancouver, Olympia, Raymond-South Bend and Centralia-Chehalis for the generous and eminently satisfactory provisions they have made for the care of this Convention.

RESOLVED, That the change in the basis for dues to this Association suggested in the report of the Executive Council is a desirable one and that the suggestion be adopted, details to be worked out by the Executive Council.

RESOLVED, That the gratitude of this Association be expressed to the speakers on the programme who so ably presented their subjects and that the Association members give serious and profound consideration to the subject matter as presented.

RESOLVED, That the work of the Educational Committee be endorsed and that it be made a continuing and permanent activity of our Association. It is urged in this connection that individual members co-operate with the Committee in carrying out in their respective communities the educational plan formulated by the Committee on Public Education of the American Bankers Association.

WHEREAS, The holding of Group Meetings has enabled our members to exchange ideas, work out their common problems and come to a closer understanding of each other and,

WHEREAS, These meetings have become an important part of the work carried on by this Association, now therefore

BE IT RESOLVED That we not only encourage the extension and broadening out of the group idea but urge upon the Executive Council the working out of some plan whereby all the members of this Association shall participate in the benefits arising from this localized work.

WHEREAS, We recognize that the best interests of the state and of the banks demand that the State Banking Department be maintained at the highest possible standard of efficiency, and that the present administration of that Department has been such as to merit the confidence of the members of this association;

THEREFORE, BE IT RESOLVED, That we extend our congratulations to the Director of Taxation and Examination and to the Supervisor of Banking for the splendid work already accomplished, and pledge our support in all that makes for the continual development of that Department.

J. W. SPANGLER, Chairman
R. R. MATTISON,
C. K. McMILLIN,
GEO. W. PEDDYCORD,
W. T. TRIPLETT.

Upon motion duly made and seconded the report of the committee on resolutions was unanimously adopted.

REPORT OF COMMITTEE ON NOMINATIONS

Mr. President:

Your Committee beg to report and to place the following names in nomination for the respective offices mentioned:

For President, R. H. Macartney.

For Vice-President, J. K. McCornack.

For Treasurer, H. J. Maury.

For Secretary, Wm. Hatch Davis.

Members of Executive Council,

J. W. Spangler,

R. R. Mattison,

Chas. Heath.

H. C. LUCAS,

J. W. BRADLEY,

N. B. COFFMAN,

G. H. RALEIGH,

D. H. MOSS, Chairman.

Upon motion duly made and seconded the report of the committee was adopted and the persons therein named unanimously elected to the several offices for which they were proposed.

After installing the new president the convention adjourned.

**MEETING OF THE AMERICAN BANKERS ASSOCIATION
MEMBERS**

In the absence of the Vice-President, Mr. J .T. Mc-Vay, the meeting was called to order by Wm. Hatch Davis, Secretary, and Mr. J. A. Swalwell elected chairman.

The following were elected:

Member Executive Committe,	-----	Mr. D. H. Moss, Seattle.
Vice-President, A. B. A.	-----	Mr. J. W. Spangler, Seattle
Member to serve on Nominating Committee	-----	Mr. R. L. Rutter Spokane
Alternate Member of Nominating Committee	-----	Mr. C. J. Lord Olympia
Vice-Pres. Savings Bank Division	-----	Mr. O. A. Fechter, Yakima
Vice-Pres. Trust Co. Division	-----	Mr. W. T. Triplett, Spokane
Vice-Pres. National Bank Division	-----	Mr. S. M. Jackson, Tacoma
Vice-Pres. State Bank Division	-----	Mr. H. B. Miller, Toppenish

GROUP OFFICERS

GROUP ONE.

President.....R. B. Field, Leavenworth
Secretary.....Charles R. Fray, Wenatchee

GROUP TWO.

President.....W. W. Downie, Harrington
Secretary.....Sam Kimbrough, Spokane

GROUP THREE.

President.....A. R. Metz, Everett
Secretary.....J. H. Miner, Seattle

GROUP FOUR.

President.....M. E. Sinclair, Ilwaco
Secretary.....E. H. Robbins, Tacoma

GROUP FIVE.

President.....A. L. Thiele, Grandview
Secretary.....U. C. Bartholet, Yakima

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